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(Cover page)

**THE DAWN OF SOCIAL ENTERPRISE?**  
*NGOs balancing between social value creation and  
profit-making in Cambodia*

Sothy Khieng

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VRIJE UNIVERSITEIT

## **The dawn of social enterprise?**

*NGOs balancing between social value creation and profit-making in Cambodia*

ACADEMISCH PROEFSCHRIFT

ter verkrijging van de graad Doctor aan  
de Vrije Universiteit Amsterdam,  
op gezag van de rector magnificus  
prof.dr. F.A. van der Duyn Schouten,  
in het openbaar te verdedigen  
ten overstaan van de promotiecommissie  
van de Faculteit der Sociale Wetenschappen  
op woensdag 2 juli 2014 om 13.45 uur  
in het auditorium van de universiteit,  
De Boelelaan 1105

door

Sothy Khieng

geboren te Pursat, Cambodja

promotor:           prof.dr. H. Dahles  
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                      dr. W.M. Verkoren

## SUMMARY

Many studies have been conducted on civil society organisations, especially nongovernment organisations (NGOs), in Cambodia. However, very few have focused on the funding mobilisation and diversification strategies—in particular, commercial ventures—these nonprofit organisations (NPOs) employ. This is a critical lack of knowledge in this area since NGOs are faced with reduced donor funding and are struggling to sustain their operation and (re)gain organisational autonomy. The research featured in this dissertation aims to respond to this knowledge gap by exploring the challenges and various diversification strategies used by NGOs in Cambodia, with specific focus on entrepreneurial activities. The main research question is “How does commercialisation impact on funding diversification among NGOs in Cambodia and what alternative approaches to development accrue from this diversification?”

The research generated data mainly from a survey and key informant interviews with senior NGO representatives in Cambodia. The data collection occurred between March 2011 and May 2012 in five major regions of Cambodia: Phnom Penh, Kandal, Kampong Cham, Battambang, and Siem Reap. The random sample technique for the survey implies that the findings represent the five regions in Cambodia where NGOs are the most active.

The research found an emerging market approach, namely social entrepreneurship, was a major replacement strategy of reduced foreign donor funding among NGOs. The trend towards commercialising human services is expected to rise further at least in the medium term. The new approach is critical in areas where government and market institutions as well as the traditional approach adopted by development practitioners fail. Beyond striving for sustainability, NGOs adopt this strategy to generate employment, income, and to create training ventures for disadvantaged people as well as solving broader social ills, such as inequality and chronic poverty. The commercialisation processes in the nonprofit sector in Cambodia has produced other consequences. These include innovation, improved transparency and accountability of NGO operations and promotion of a sense of ownership of development projects. In addition, NGOs tend to be more responsive and accountable to the communities they serve.

However, there are numerous drawbacks of NGOs’ commercial ventures. Not only does their lack of a business background and skills make them prone to failure, NGOs also risk drifting away from their mission—for example, by excluding non-paying beneficiaries. NGO leaders and social entrepreneurs also face the dilemma of balancing between social and financial bottom lines. While receiving government tax subsidies, as well as institutional

grants, NGOs also face the issues of unfair competition with the private sector, ethical issues, and risk losing their reputation as a true constituent of civil society. Thus, like any other NGO funding strategy, commercialisation has its own shortcomings; it is important that NGO leaders can manage the associated risks and negative effects well. At the same time, NGOs must maintain diverse funding sources to avoid dependence on any single income stream.

The dissertation contributes to theoretical debates on commercialisation and social entrepreneurship among NPOs. This research challenges the conventional views that business ventures bring additional problems rather than improve NGO funding and sustainability. The suggested propositions have wider implications beyond Cambodia. The findings contribute to the academic discourse particularly because empirical studies from developing and transitioning countries are under-represented.

Finally, the research has important implications for the development of Cambodia and other countries with a similar social environment. Despite the mixed consequences, entrepreneurial activities closely aligned with the NGOs' core mission have the potential to improve the current development practice. More importantly, this new approach may shift the development paradigm from foreign-supported initiatives and upward accountability (NGOs to donors) to locally oriented development and downward accountability by bringing NGOs and their constituencies closer. The various nonprofit organisational forms, such as social enterprises, cooperatives, farmer associations, self-help groups—to name a few that have sprung up during this process—may indicate the hybridity the Cambodian civil society sector. More importantly, this process indicates that Cambodia is beginning to shed the yoke of the foreign-dominated process of development.



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I would like to express my sincere thanks to CDRI, Cambodia’s leading independent development policy research institute, for kindly hosting me during my fieldwork in Cambodia. I am particularly grateful to Dr. Kimsun Tong, Mr. Sivhuoch Ou, Mr. Chanhang Saing, and Mr. Bopha Keo who provided much assistance during my data collection and analysis as well as helpful feedback on my papers. Other research colleagues at CDRI, including Ms. Seila Phe and Ms. Chamroeun Non, along with the transcriber team, provided excellent research

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## **LIST OF ABBREVIATIONS**

ADB	Asian Development Bank
AMK	Angkor Mikroheranhvatho Kampuchea
BRAC	Bangladesh Rural Advancement Committee
CBO	Community-Based Organisation
CCC	Cooperation Committee for Cambodia
CDC	Council for the Development of Cambodia
CEDAC	Cambodian Centre for Study and Development in Agriculture
CIDSE	Coopération Internationale pour le Développement et la Solidarité (International Cooperation for Development and Solidarity)
CRG	Cambodia Research Group
CSF	Commune/Sangkat Fund
CSO	Civil Society Organisation
D&D	Decentralisation and Deconcentration
DANIDA	Danish Development Assistance
DDD	Digital Divide Data
DFID	Department for International Development
FMO	Netherlands Development Finance Company
ForumSyd	A Swedish advocacy organisation
GDP	Gross Domestic Product
GTZ	German Technical Cooperation
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organisation
INGO	International Non-Governmental Organisation
IWDA	International Women's Development Agency
KII	Key Informant Interview
LNGO	Local Non-Governmental Organisation
MFAIC	Ministry of Foreign Affairs and International Cooperation
MFI	Micro Finance Institution
MOI	Ministry of Interior
MPDF	Mekong Private Sector Development Facility
NGO	Non-Governmental Organisation

NPO	Non-Profit Organisation
Nvivo	A qualitative and mixed method research software
NWO	Netherlands Organisation for Scientific Research
ODA	Official Development Assistance
PDA	Community Development Association
RUPP	Royal University of Phnom Penh
SE	Social Enterprise/Social Entrepreneurship/Social Entrepreneur
SME	Small and Medium Enterprise
STATA	A data analysis and statistical software
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNTAC	United National Transnational Authority of Cambodia
VOA	Voice of America (Radio)
VU	Vrije Universiteit (Amsterdam)
WFP	World Food Programme
YKB	Yayasan Kusuma Buana

## CHAPTER ONE:

### 1 INTRODUCTION

*Can nonprofits simultaneously mimic private enterprise and perform their social missions?*  
(Weisbrod, 1988b, p. 167)

#### 1.1 Introduction

Civil society literature today widely discusses the increased commercialisation of the nonprofit sector in the last few decades, through which nonprofit organisations (NPOs) have become more dependent on self-generated income (Child, 2010). This movement has lead NPOs to move away from “past experience-based, path dependent decision making and toward developing innovative practices and strategic responses” (Weerawardena, McDonald, & Mort, 2010, p. 350). However, scarce literature exists on the specific strategies and effects of those strategies adopted by NPOs, particularly in developing countries.

The aim of this dissertation is to investigate the resource diversification strategies of nongovernmental organisations (NGOs) in Cambodia and to analyse the process and effects of the commercial turns and social entrepreneurship among them. The main research problem, the impacts of commercialisation on funding diversification among NGOs in Cambodia and alternative approaches to development that accrue from this diversification, arises from the well-established donor-driven development processes in Cambodia (Ear, 2012; Un, 2007) and the roles NGOs have in these processes. The study analyses the funding strategies in detail, particularly commercial ventures that NGOs use to mobilise their resources in times of reduced external funding. The latter part of the dissertation focuses on the rise of social entrepreneurial NGOs and social enterprises and the impact this has on Cambodia’s development.

This dissertation is a compilation of four articles. The publication approach taken for this PhD implies that each of the four articles discussing parts of the research findings has the characteristics of a stand-alone article and contains a specific background discussion, a literature review, and a methodology section. Therefore, the objective of this introductory chapter is to bring together the overall argument and relevant of the dissertation. In this first chapter, I introduce the background to the research problem and the motivation behind it. After presenting the research questions, I will discuss the conceptual and theoretical assumptions underpinning this research. The chapter will then cover the overall methodology approach employed in the four articles produced under this project. After summarising the findings of the

articles, I will briefly discuss their relevance and significance. I conclude this introduction by outlining the rest of the chapters in the dissertation.

## **1.2 Background and Research Motivation**

Along with the post-1970s introduction of neoliberalization, or the ‘Washington Consensus’, in the developing world, a new development model and aid policy has emerged. This new economic policy is based on the principles of market liberalisation, privatisation and reduced state role. Under this ‘New Policy Agenda’ (Robinson, 1993), NGOs are seen as ‘development agents’ whose key roles are not only to provide social services but also to assist in the democratisation process and civil society building (Edwards & Hulme, 1995). Bilateral and multilateral agencies entrust these supposedly key roles to NGOs because they are often considered more efficient, cost effective and capable of reaching more of those in need than government and market institutions. Despite the failure of the “Washington Consensus”, many NGOs have sprung up in the developing world, and have continued to implement the Western development agenda and democratic principles with limited success. In the meantime, a competing “Beijing Consensus” that emerged in the early 2000s, tends to challenge the conventional idea that rapid economic growth is necessarily conditioned by democratization or political freedom. According to this Chinese model, developing nations need to stay independent from externally imposed “one-size fits all” policies and regulations (Qasem, Dongen, & Ridder, 2011). This *new* consensus also means a new form of obtaining “unconditional” foreign assistance for developing nations, particularly during recent times of economic and political crisis in the West is available.

Post-conflict and poverty-stricken Cambodia is one of the Southern countries that has benefitted from Western and Eastern development aid that has been channelled through international development agencies, and NGOs. Since the international intervention led by the United Nations that introduced liberal peace and democracy to Cambodia in the early 1990s, large-scale official development assistance (ODA) has been made available to Cambodia, amounting to more than \$15 billion in the last two decades with an average of 9–10% of GDP since 2005 (Council for the Development of Cambodia, 2011). This process has led to a large number of NGOs that were established to follow the donor funding. Based on official government figures, the number of NGOs in Cambodia has grown exponentially—

from just a few in 1992 to over 3,000 in 2012.<sup>1</sup> International donors expect two important roles from their client NGOs: basic service delivery and to “safeguard democracy and guarantee against state repression” (Ou & Kim, 2013b, p. 190). These NGOs assist in “the checks and balances system” and were among the first to (re-)introduce the notions of “human rights, the rule of law and accountability” to Cambodia (Ledgerwood & Un, 2003; Un, 2007).

The rise and growth of NGOs is usually equated with the emergence of a modern civil society sector in Cambodia. It is a widely held suggestion that Cambodian NGOs are the backbone and facilitators of civil society in the country (Curtis, 1998). However, the establishment of the NGO sector in Cambodia is paradoxical. These “development agents” are plagued with many issues; many local NGOs are based in urban areas, lack voluntary membership and lack good partnership with grassroot organisations (Un, 2007). Scholars like Un (2007) have criticised Cambodian NGOs for issues around “patronage, nepotism and autocracy”, accusing key organisational and governance structures as “short of being democratic” (p.16). These characteristics of NGOs have led local civil society researchers like Ou and Kim (2013b) to argue that these NGOs are an illusion of civil society.

NGOs’ dependence on donor funding and support makes them vulnerable to compromising their values and agendas and prioritising those of the donors and development partners instead (Ou & Kim, 2013a; Un, 2006). Because NGOs are accountable to their patron donors and not to the communities they are supposed to serve, they are less responsive to community needs (Henke, 2011, pp. 294–295). At the country level, the largely donor-driven development process that is championed by NGOs results in at least several negative consequences. For one, research suggests that dependence on external aid may “undermine institutional quality, weaken accountability, encourage rent-seeking and corruption, foment conflict over control of aid funds, siphon off scarce talent from the bureaucracy, and alleviate pressures to reform inefficient policies and institution” (Knack, 2001, p. 1). Other studies indicate that the relationship between aid and economic growth and poverty eradication is positive only in a good policy environment that has “sound economic management” (Burnside & Dollar, 1997; The World Bank, 1998).

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<sup>1</sup> However, the latest NGO survey in 2012 by the Cooperation Committee for Cambodia (CCC) reveals that only about 1400 NGOs are currently active.

Moreover, a large part of the international aid in Cambodia is paid to mostly Western advisors and consultants who are supposedly in place to provide technical assistance to the government. This not only means that they substitute or supplement the work of government officials, but also, as a consequence, “many of the development policies and programmes are conceived, prepared and proposed essentially by foreign donors in Cambodia” (Nagasu, 2004, p. 68). This process re-enforces the nature of the foreign-dominated processes of development in Cambodia, in which the local NGOs are practically subcontractors, implementing and complying with policies, regulations and conditions set by foreign actors.

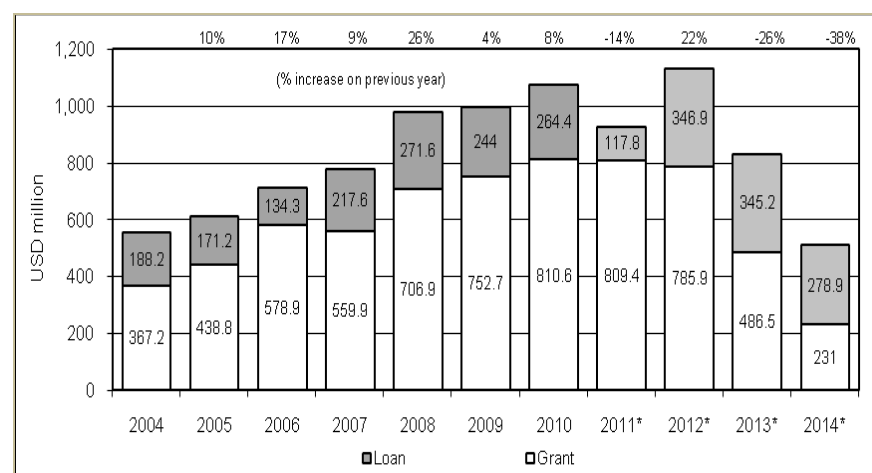
### **1.2.1 Declining Aid, Diversification and Emergence of Social Enterprises**

The initial international support for NGOs in Cambodia was meant to initiate civil society development and, therefore, lacked a long-term plan to sustain the process. According to Parks (2008), donor funding for some sectors in Cambodia began to decline in the early 2000s because of inadequate systemic political and economic performance. Official government figures (Council for the Development of Cambodia, 2013) indicate that the ODA, particularly grants, began to decline in 2011 (Figure 1.1), due to donors’ changing priorities, the impacts of the global financial crisis as well as the improved economic circumstances in the country. In addition, donors began to question the effectiveness of NGOs in institutional reforms. Parks (2008, p. 6) stresses that “local NGOs increasingly need to compete for less and less funding, while donors make increasing demands for quantifiable *short-term* impacts”. An NGO officer characterises this shift in the following way: from “money chasing NGOs” to “NGOs chasing money” (Öjendal, 2013, p. 30).

The volatile financial support from donors and intensified competition among the sheer number of NGOs as well as the quest for independence from donors has forced these organisations to develop and adopt strategies to become more viable and sustainable organisations (Weerawardena et al., 2010). Some experts suggest that alternative sources of funding can come from business elites, returning Cambodian immigrants, and foreign investors (Cambodia Research Group, 2010) and commercialisation and partnership with the private sector (Öjendal, 2013). A key focus in this dissertation is the emerging trend of self-generated sources of income from commercial ventures among some NGOs. During this process of marketization and commercialisation, NGOs have transformed from purely nonprofit to hybrid organisations and social enterprises. One of the earlier transformations

was from NGOs providing micro-credit to fully licenced micro-finance institutions (MFIs) and to commercial banks. More recently, farmer cooperatives, handicraft associations, self-help groups, community enterprises, and social businesses have been initiated by parent NGOs for different purposes.

**Figure 1.1: Official Development Assistance to Cambodia 2004–2014**



*Source:* (Council for the Development of Cambodia, 2011)

Some of the social enterprises (SEs) and social businesses that have recently emerged in Cambodia largely owe their existence and popularity to a few prominent Phnom Penh-based NGOs, like Friends International, Digital Divide Data, Haga, and CEDAC, all of which initially set up businesses to equip people from a disadvantaged background (youth and women) with technical and vocational skills, so as to combat unemployment. In the late 2000s, many resource-constrained NGOs started introducing fees for services and setting up similar businesses and consultancies as an income-generating strategy in time of reduced external grants and donations. The commercialisation among NGOs was fuelled by organisations like ACLEDA, which was initially set up by international development agencies to provide microcredit as a strategy to reduce poverty among the rural poor.

Subsequently, social enterprises and social entrepreneurship have started to attract the attention of academic researchers, development practitioners, the business community and the Cambodian public. Since 2011, an annual national conference on social enterprise has been hosted by the Royal University of Phnom Penh (RUPP) and some relevant organisations. Further, a course on social enterprise has been integrated into the MA in Development Studies Programme at RUPP in 2009, the first such course being offered in the country. In addition, various social enterprise business competitions have been arranged by academic institutions,



associations and social investment funds (e.g. Arun LLC) in the past couple of years. International scholars (Evans & Lyne, 2008; Hutchinson, 2007; Lyne, Ngin, & Santoyo-rio, 2013; Lyne, 2012; Makararavy & Anurit, 2012) have also recently documented the development in Cambodia through various empirical research.

The process of transformation and change in the Cambodian nonprofit sector follows a similar pattern to that in the greater region. Cases abound of NGOs turning into hybrid organisations and social enterprises in as documented in the academic and development literature on the Asian countries of Vietnam (Luke & Chu, 2013), Thailand, Bangladesh (J. Santos, Macatangay, Capistrano, & Burns, 2009), the Philippines (Dacanay, 2004, 2012), and particularly those in the East region such as Japan (Tsukamoto & Nishimura, 2009), South Korea (Park, 2013), China (J. Wang, 2012), Hong Kong and Taiwan (Kuan, Chan, & Wang, 2011).

The increasing commercialisation among NPOs “is bringing a shift in financial dependence from charitable donations to commercial sales activity, with little recognised consequences” (Weisbrod, 2000, p. I). Furthermore, there is a lack of literature on how NPOs’ ventures into social entrepreneurship evolve (Di Zhang & Swanson, 2013). Much of the literature is based on the American and European contexts (Lepoutre, Justo, Terjesen, & Bosma, 2013), where social enterprises found an environment conducive to their development (Lepoutre et al., 2013; Mair & Martí, 2006; Mair, 2010). However, there is a shortage of empirical studies on social entrepreneurship in NPOs in other parts of the world. In particular, experience and lessons from countries in the East and Southeast Asian regions, where the context and background differ greatly from Europe and North Americas, is overlooked. Studies on these regions will potentially bring additional value and insight to the current scholarship and practical development practice. While NPOs in the North usually receive generous local charitable funds and government subsidies, Southern NPOs are commonly dependent on assistance from international organisations (IOs) and development partners. The motivations, effects and implications of NPOs adopting (social) entrepreneurial activities may be different between NPOs in the North and the South.

Currently, there is scant literature on how the external environment drives NGO strategies in sustaining their organisations and the resulting effects (Weerawardena et al., 2010). More specifically, the process of commercialisation and social entrepreneurship, particularly its scale and scope, among the NGO sector in Cambodia is a new area of

research; prior to the start of this project in 2010, there was very little empirical research available. Most people who embrace these recent developments (e.g. commercialisation and NGOs turning to social enterprises) promise huge potentials around the buzzwords of “change”, “innovation”, “business solutions to societal/environmental problems” with little discussion on the challenges, risks, side effects and other potentially negative consequences. This research project aims to contribute towards the debates on the overall effects of commercialisation and social entrepreneurship from the lens of NGO founders and directors.

### **1.3 Aims and Objectives**

The overall purpose of the project is to analyse Cambodian NGOs’ strategies, with a specific focus on commercial activities and social entrepreneurship, in diversifying locally available sources of funding. The specific objectives are:

- To analyse NGOs’ resource mobilisation and diversification strategies in Cambodia, with a specific focus on commercial activities and social entrepreneurship;
- To analyse and understand the scope and scale of commercial activities engaged by NGOs in Cambodia, and the effects of these activities on their mission, autonomy, sustainability and management practices;
- To identify development and policy implications and practical lessons learnt from Cambodian NGO commercialisation and social entrepreneurship for the development communities and relevant government institutions.

### **1.4 Research Questions**

To address the above objectives, the following are the main and sub-questions proposed for this PhD project. The research questions focus on funding strategies, commercialisation and social entrepreneurship and impacts.

#### **Central question:**

- “How does commercialisation impact on funding diversification among NGOs in Cambodia and what alternative approaches to development accrue from this diversification?”

#### **Sub-questions:**

- 1- What role does social entrepreneurship play in NGOs’ resource diversification?

- 2- What are the different resource diversification strategies mobilised by NGOs in Cambodia?
- 3- In what ways do different funding strategies affect NGOs and their programmes?
- 4- In what ways do commercial activities impact on different organisational indicators, as perceived by the NGOs managers/entrepreneurs and to what extent does this form a model of social entrepreneurship?

## 1.5 Theoretical Framework

The framework of this research is embedded in NGO literature and discourse. Research questions 1, 2 and 3 are influenced by seminal literature on diversification strategies (Froelich, 1999) but also in part by other scholarly work (Antrobus, 1987; Fischer, Wilsker, & Young, 2011; P. Hughes & Luksetich, 2004; Parks, 2008; Suárez & Hwang, 2012; Viravaidya & Hayssen, 2001). The analysis of the funding strategies and effects presented in Chapters 3 and 4 is based on Froelich's framework, which consists of three major strategies: grants and donations, government funding and earned income.

The last research question on the commercialisation in NGOs is built on the academic literature on nonprofit enterprises and related economic discourse of NPOs (Anheier & Ben-Ner, 2003; Hansmann, 1980, 1987; Weisbrod, 1988a, 1988b, 2000; Young & Salamon, 2002). To develop the conceptualisation of social enterprise and social entrepreneurship, the research is based on relevant social enterprise discourse (Alter, 2007; Dees, Emerson, & Economy, 2002; Defourny, Hulgard, & Pestoff, 2010; Kerlin, 2010; Mair & Martí, 2006; Mair & Marti, 2009; Mair, 2010; Nicholls, 2006).

To start with, there are several key organisational concepts that serve as foundations of analysis in this dissertation. As already referred to, *nongovernmental organisation* (NGO) and *nonprofit organisation* (NPO) are used throughout the dissertation, particularly in earlier chapters. (Social) entrepreneurial NPOs/NGOs and three other key terms—*social enterprise* (SE), *social entrepreneurship* and *social entrepreneur*—are used mostly in Chapters 2, 4 and 5.

## NGO/NPO/CSO

The operational definition of an NGO in this dissertation is derived from Salamon and Anheier (1992), who identify such organizations by five characteristics: formal, private,

nonprofit distribution, self-governing, and voluntary. Therefore, NGOs are “self-governing, private, not-for-profit organisations that are geared to improving the quality of life for disadvantaged people” (Vakil, 1997, p. 2060) and do not distribute their profit to their founder or stakeholders (Simsa, 2003). Hansmann (1980) distinguishes NPOs from for-profit organisations mainly by the “absence of stock or other indicia of ownership” (p.838) that provide both profits and control of the organisation to its owners. NGOs can be regarded as a type of NPO. Throughout the dissertation, NPO and NGO are used interchangeably. NGOs are part of civil society, which White (1994) defines as “an intermediate associational realm between state and family populated by organisations which are separated from the state, enjoy autonomy in relation to the state and are formed voluntarily by members of society to protect and extend their interest or values” (p.379). Other organisations in the civil society sector include trade unions, labour associations, sport clubs, professional associations and faith-based groups (Lewis, 2010).

### **(Social) Entrepreneurial NPOs/NGOs**

Social entrepreneurial NPOs are those that apply a business approach that is commonly practised in the corporate world to sustain their objective (Swanson & Di Zhang, 2010). They are different from traditional NPOs, because they pursue a double or triple bottom line of social and economic (as well as environmental) values at the same time (Di Zhang & Swanson, 2013; Lepoutre et al., 2013; Weerawardena et al., 2010). They bring into the civil society sector new strategies, norms, values and innovation (Dart, 2004). According to Perrini (2006), becoming entrepreneurial enables NPOs to be “more market-driven, client-driven, and self-sufficient” (p.60). Entrepreneurial NPOs are those whose commercial ventures, including earned income and cross-subsidisation activities, are aimed to help them diversify their funding sources so as to become less vulnerable to external shock as a result of being too dependent on any single source (Fowler, 2000a; Frumkin, 2005).

### **Social Enterprise, Social Entrepreneur, and Social Entrepreneurship**

The conceptualisation of the three terms as a foundation for this study adopts the analytical synthesis of English literature by Brouard and Larivet (2010). They define social enterprises as “organisations which pursue social missions or purposes that operate to create community benefit regardless of ownership or legal structure and with varying degrees of financial self-sufficiency, innovation and social transformation” (Brouard & Larivet, 2010, p. 39). Similarly, social

entrepreneurs are “individuals who with their entrepreneurial spirit and personality will act as change agents and leaders to tackle social problems by recognising new opportunities and finding innovative solutions, and are more concerned with creating social value than financial value” (Brouard & Larivet, 2010, p. 45). Lastly, social entrepreneurship is “a concept which represents a variety of activities and processes to create and sustain social value by using more entrepreneurial and innovative approaches and constrained by the external environment” (Brouard & Larivet, 2010, p. 50).

However, social enterprise, social entrepreneur and social entrepreneurship remain “ill-defined” terms, mainly because of their recent emergence in the academic discourse (Weerawardena & Mort, 2006). Because these concepts are merging and contested, it is easier to identify and define them as an “umbrella construct” (Mair, 2010, p. 16) that is not limited to clear conceptual boundaries. Specifically, the research is poised to analyse and position organizations along a continuum of organisational diversity in social enterprise discourse, as will be discussed in details in Chapter 2.

## Theoretical Lens

Four sets of theory are used to form an integrated analytical framework in this research (Figure 1.2): *funding diversification strategies* (Froelich, 1999); *three-failure theory* (Hansmann, 1987; Powell & Steinberg, 2006; Salomon, 1987); *resource dependence theory* (Pfeffer & Salancik, 2003, 1978) and *social entrepreneurship theories* (Dees et al., 2002; Defourny et al., 2010; Kerlin, 2010; Mair & Martí, 2006; Mair, 2010).

Froelich’s (1999) writings on NGO funding diversification are applied to categorise and analyse three main strategies and their effects on the organisation, which is the focus of the first empirical chapter. I adopt the three-failure theory, which includes failures of the government, the market and the third sector, to explain the roles of NPOs and emergence of social entrepreneurial organisations, in the context of developing countries. It is suggested that NPOs turn into commercial ventures as a result of falling government funding,

**Figure 1.2: Theories Underlining the Process of Commercialisation and Emergence of Social Entrepreneurship**



private donations and institutional grants, or simply because “market-based approaches are the best way to gain revenue” (Lepoutre et al., 2013, pp. 106–107).

Similarly, resource dependence theory (Pfeffer & Salancik, 2003, 1978) is used to analyse the association between the environmental challenges that organisations face and their responses, particularly the adoption of commercial ventures and social entrepreneurship. One of the main propositions in this theory is that dependence on external resources could compromise NGOs’ autonomy, legitimacy, and innovative potential (Mitchell, 2012). In response to the volatile external environment and the external control by other actors (e.g. donors), such organisations adopt strategies to seek alternative funding source to sustain their business and to maintain organisational autonomy (Pfeffer & Salancik, 1978; Weerawardena et al., 2010).

The last component of the framework is built on social entrepreneurship theories. As an emerging field of academic research, there are plenty of conflicting theories on social entrepreneurship. One of the major theoretical debates is on how social enterprises emerge and what roles they play in solving societal or environmental problems. One argument is that the prevalence of social entrepreneurship activities is high in countries facing many social problems that are unresolved by the state or the market and where the civil society sector is weak. Such countries usually have an informal economy where “affiliations to social groups determine the local creation and distribution of wealth and justice” (Lepoutre et al., 2013, p. 711). Mair and Marti (2009) propose that “institutional voids”, which are the “absent or weak social and economic institutions that constrain market based development” (p.156), in developing countries, lay the foundation for social enterprises to grow. A counter argument is that people in such societies are too engaged in basic survival, which means that commercial entrepreneurship overshadows social entrepreneurship. In other words, it can be stated that the level of social entrepreneurship engagement is higher in countries with advanced economic development (Lepoutre et al., 2013; Salamon, Sokolowski, & Associates, 2004). Others (Kerlin, 2010; Mair, 2010) emphasise that social, economic and historical contexts unique to different countries and regions are factors that shape the emergence, growth, characteristics and organisational forms of social enterprises.

The academic community is divided regarding the positive and negative effects of NGOs taking the social entrepreneurship approach or simply undertaking commercial activities. Researchers who support the market approach to poverty reduction and solving other development issues claim that social entrepreneurship has many benefits. Among these

benefits are more diversified sources of income for NGOs, reduced constraints associated with donations, the increased ability to focus more on the bottom line, increased organisational autonomy, and promotion of social capital (Alexander, 2000; Defourny et al., 2010; Evers, 2001, 2001; Frumkin, 2005; Haugh, 2007; Pfeffer & Salancik, 2003, 1978). Opponents and sceptics, however, theorise that NGO commercial activities are associated with goal displacement, alienation of some intended beneficiaries, unfair competition between for-profit and non-profit sectors, as well as loss of reputation and exploitation by non-profit directors (Dees et al., 2002; Weisbrod, 2000, 2004; Young & Salamon, 2002).

Consequently, there are many unknown and contested impacts of NGOs' shift from charity to commercial ventures (Weisbrod, 2000, p. 1). For instance, the academic community is yet to come up with a consensus on whether NGOs turn to commercial activities as a result of reduced income from charity. Furthermore, empirical evidence is inconclusive on whether this shift to a market approach contributes to increased autonomy for NGOs. Also limited is the literature on how NGOs transform and evolve as a result of commercialisation. In addition, only a few scholars so far have addressed the issue whether this transformation encourages entrepreneurship and to what extent ensuing forms of entrepreneurship can be labelled as 'social' (Di Zhang & Swanson, 2013), particularly in the context of developing countries. Specifically, there is lack of scholarship on whether and how the business approach of local NGOs in such countries contributes to sustainable development and a shift of external dependence to locally embedded resources is feared.

This project aims to understand the process of NGO commercialisation and to contribute to bridging the gaps above through a framework that integrates resource dependence, three-failure, diversification and social entrepreneurship theories. Using this integrated approach, I hope to contribute to social entrepreneurship theory building, which is lacking in the Southeast Asian context (Dacanay, 2012).

## **1.6 Overall Research Design**

This study applies a mixed-methods approach, using a combination of both qualitative and quantitative methods with more weight on the qualitative part. The combinations occurred at different levels: data collection, data analysis, and interpretation of findings, and across four articles of the research (Leech & Onwuegbuzie, 2009). Thus, it is more than merely gathering and analysing both types of data; it requires the use of both methods in tandem so that the overall strength of the research is greater than carrying out either a qualitative or quantitative

study (Creswell & Clark, 2010). The inductive-deductive cycle of mixed methodology provides more accurate description and better understanding of both processes and impacts (Teddlie & Tashakkori, 2009, pp. 78–79). Many different terms are used for this methodological approach, including *integrating*, *synthesis*, *quantitative and qualitative methods*, and *multimethod* but recent publications use the term *mixed methods* (Creswell, 2009).

Overall, the justifications for the mixed method research design are based on the main criteria as proposed by Creswell (2009): *the nature of the research problem*, *researcher's personal research experiences*, and *the audience*. The nature of the research problem in this case is to find applications and solutions to the aid dependency, lack of organisational autonomy and top-down accountability and approach to development problems in Cambodia. More specifically, the purpose of the project is to better understand how local NGOs have evolved in terms of their strategy for resource mobilisation. I am interested in how their entrepreneurial activities are practised and perceived, and what their role is in resolving some of the aforementioned critical development issues. This has close associations with the *pragmatic worldview*, which involves “applications and solutions to problems” (Creswell, 2009) or “critical realism” (Niglas, 2010). Some scholars suggest that *pragmatism* is often “the most suitable philosophical orientation for mixed methods research tradition” (Niglas, 2010, p. 226). It is expected that the mixed methods used in this project provide better understanding of the problem.

### **1.6.1 Details on the Three Phases of Data Collection**

The data collection entailed three major stages. Phase I involved secondary data collection and a thorough thematic literature review through Google Scholar and Vrije Universiteit Amsterdam's library electronic resources. This was followed by two stakeholder consultation workshops in Cambodia that contributed to understanding reality on the ground and developing a survey questionnaire (Phase II) and a key informant interview guide (Phase III). The second and third stages of data collection were conducted in Cambodia between July 2011 and May 2012 (Table 1.1).

In the second phase, a quantitative survey was undertaken, using a structured questionnaire with over 300 NGOs that were randomly selected across five major regions (Phnom Penh, Kandal, Siem Reap, Battambang and Kampong Cham). The aim of the survey was to map NGO strategies, in particular commercial strategies that mobilised resources to



sustain the organisation. The survey was implemented with the collaboration, administrative and financial support of the Cooperation Committee for Cambodia (CCC), the largest network local NGO in the nation. Using the data from this survey, I generated descriptive statistics to map NGOs to generate themes and topics for the interview phase.

**Table 1.1: The Three Phases of the Fieldwork**

<b>Descriptions</b>	<b>Phase I (Feb–Mar 2011)</b>	<b>Phase II (Jul 2011–Jan 2012)</b>	<b>Phase III (Feb–May 2012)</b>
<b>Methods</b>	Qualitative data collection and analysis	Quantitative data collection and analysis	Qualitative data collection and analysis
<b>Sampling technique (n)</b>	Thematic literature review and analysis	Probability multi-stage sampling (n=312)	<i>Purposive sampling, dependent on results from Phase II</i> (n=43)
<b>Data collection technique</b>	- Literature review using Google scholar. - Stakeholder consultation workshops	Survey using structured questionnaires with NGO managers	Key informant interviews with NGO managers/ officers
<b>Data entry and data analysis technique</b>	Both data entry and data analysis will be done using Nvivo programme	Double data entries, with data analysis using STATA	Both data entry and data analysis will be done using Nvivo programme
<b>Level of data integration</b>	None	Qualitative data from Phase I is used to generate survey items for Phase II	Parts of the quantitative data from Phase II are mainly used to identify sample NGOs and generate interview topics for key informant interviews in Phase III

Following the survey, qualitative data was collected from key information interviews (KII) with 43 NGO leaders and social entrepreneurs in the five regions listed above. The NGO informants were selected from those NGOs who had participated in the earlier survey and who had indicated that their sources of income were generated from various commercial activities. The objective was to investigate the NGO leaders' motivations in engaging in commercial activities and the effects on the key organisational indicators. Interviews were tape-recorded (with prior consent given) and transcribed. After three levels of thematic coding, an inductive analysis was conducted and key quotes were generated.

The quantitative and qualitative data were integrated and triangulated to make concrete interpretations and explanations about the emerging social entrepreneurial approach (Figure 1.3). The survey questionnaire, interview guides and full list of the NGOs selected are available in the appendices. Specific data and analysis used in each of the empirical chapters are available in the respective articles.

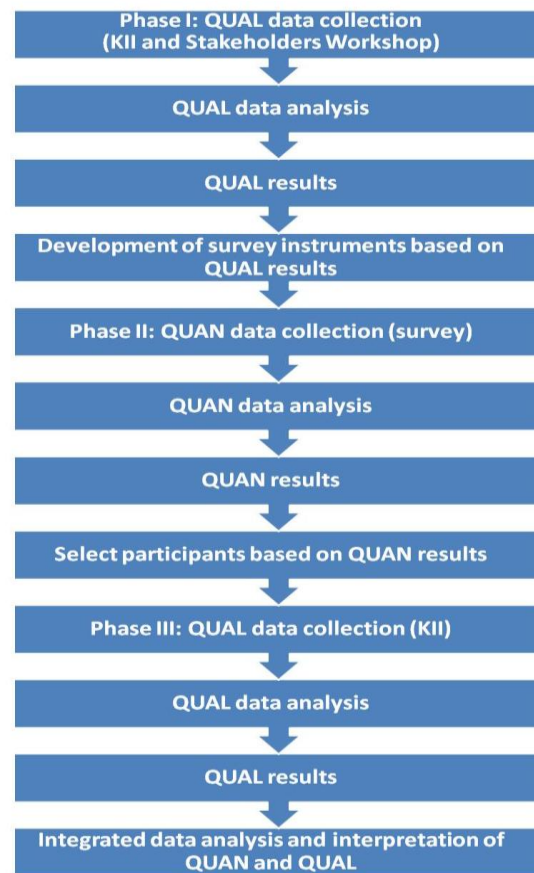
### 1.6.2 Ethical Consideration

The main overall ethical concern of the project, as of any research project, is to avoid any potential unintended harm to research participants and organizations they represent. During the data collection period of the study, I also made careful attempts at building and retaining trust between the informants, their organizations and myself as

a researcher. For these reasons, I took several measures to address the various ethical issues. Two types of informed consent form were developed and presented to ask permission from all participants for the questionnaire survey and the key information interviews respectively. Informed consent forms are applied in this research to provide the participants with information regarding:

- Background and purpose of the research;
- Potential consequences and risks involved with the research;
- That participation in the research is voluntary;
- Request for permission to tape record the interview;
- That the participant has the right to withdraw from the study at any time; and
- Anonymity and confidentiality: personal information given by respondents is protected for privacy and confidentiality. All names of the respondents and those of their organizations in this study are coded to protect their identity. The research does not

**Figure 1.3: Diagram of the research design**  
(Key: KII= Key Informant Interview, QUAL = Qualitative; QUAN = Quantitative)



disclose information on gender, religion, level of education, income, political affiliation, financial matters and others that may be sensitive to the informants or the organizations. Overall, the rights, interest and sensitivities of all informants and organizations are safeguarded.

I also ensured participants that the research findings would be shared with them through the individual research articles or through research dissemination conference. All these measures are taken to warrant research integrity and transparency of how the data is used.

### **1.7 Summary of the Research Findings**

This section provides summaries of the four individual but closely related articles starting with describing the findings on the process of funding diversification and ending with an analysis of the impacts of commercialisation and social entrepreneurship.

The first article (Chapter 2) is a conceptual elaboration of the most relevant literature on NGO funding strategies, NGOs turning into social enterprises and the benefits and risks of such approach. This article, which addresses research question 1, also provides the theoretical discussion and framework for the dissertation. Increasingly, NGOs are looking to a strategy of social enterprise as a way to generate income. This paper argues that the strategy has advantages as well as drawbacks. One of the main advantages is reduced dependency on donor funding, thereby increasing organisational autonomy and avoiding donor-induced *goal displacement*. In addition, social entrepreneurship generates social capital that can be mobilised to make operations more sustainable. Compared to donor-funded NGOs, those with social enterprises have much stronger incentives to be accountable to their beneficiaries (or clients), thereby empowering local communities. However, a risk is that commercial activities may result in overshadowing social aims. Reduced accessibility of services may also occur, as people may have to start paying for these. There is reason for NGOs to explore social entrepreneurship, but it needs to be approached with care. Since each funding strategy has its drawbacks, a diversification of funding sources is desirable.

The second article, presented as Chapter 3, provides the empirical evidence to research question 2 on the different funding mobilisation strategies of NGOs. The objectives are to map resource NGOs' diversification strategies—namely, international grants and donations, government funding and subsidies, and commercial ventures—in different sectors

and analyse the past and future trends of each of the evolving strategies. Findings show that although external grants and donations are still dominant funding sources for NGOs, about 20% of NGOs reported engaging in earned-income activities. More interestingly, this trend is expected to increase in the next five years (2011–2016). The results contribute to academic debates on local NGOs' dependence on foreign donors and international NGOs, as well as the calls for self-sufficiency and autonomy among NGOs. In addition, the findings on the prevalence of NGOs' earned-income activities challenge existing literature (e.g. by Park, 2008) that suggest that local sources of funding for NGOs do not exist.

The third article, presented as Chapter 4, offers more empirical findings on the effects of the funding strategies discussed in the preceding paper (thus, addressing research question 3). In particular, the positive and negative effects of external grants and donations and self-generated income is compared and contrasted. This article assesses how strategies applied by Cambodian NGOs to reduce their dependence on external resources affect their mission, program and financial sustainability. At the empirical level, the findings suggest that NGOs' dependence on foreign aid has mixed effects on the organisations, such as unpredictability of funding, goal displacement, reduced organisational autonomy, and top-down accountability. Funding from NGO commercial activities is more predictable and potentially promotes bottom-up accountability and increases organisational autonomy but may conflict with the mission-drift of NGOs. Commercial activities that are closely related to the core mission of NGOs prove an effective strategy in reducing dependence on external control. NGOs that are driven by government contracts risk losing control of their own mission and become a subdivision of the government. Overall, the effectiveness of NGOs' works lies in the ability and willingness of NGO directors to manage resource dependence and effects. At the theoretical level, this article contributes to resource dependence theory by discussing the effects of different strategic responses employed by NGO leaders to reduce external control and influence caused by dependence on donors' resources. The article suggests that future research further address the effects caused by NGO engagement in commercial activities and social entrepreneurship.

The last empirical article is presented as Chapter 5. This chapter answers research question 4, which deals with the process of commercialization engaged by NGOs as a way to secure sustainability. Most importantly, this last chapter discusses the positive effects, potential risks, and negative consequences of the market approach. This approach has strongly impacted the management, governance and human resource management of the

NGOs in this study. Structurally, the organisations have both expanded in scale and have become more business-oriented, which is evident, for instance, in the presence of (social) marketing staff. The impact of commercialization extends to the beneficiaries through employment, vocational and technical training, soft skill development, income, and support for business start-up. The commercialization process tends to results in some forms of social entrepreneurship among some of the NGOs. For other NGOs, commercial activities remain an engine to generate revenue to replace or complement donor dollars and cross-subsidize social programmes.

However, there are also some challenges and undesirable effects of commercialization. First, NGOs face daunting challenges in their new business ventures. These challenges include the lack of business skills and background and the lack of legislative supports for NGOs having a social business or enterprise. Second, the economic mission outweighs the social mission of some NGOs and they risk sidelining the latter. In fact, some services could no longer cater toward non-paying beneficiaries because of the introduction of fees. As a whole, the article presents a mixed picture of positive effects and shortcomings of NGOs' commercialisation.

The transformation of some NGOs into some forms of social enterprise implies a shift in the development paradigm—from (dominantly) donor-dependence to organisational autonomy, self-sufficiency and programme sustainability. The article continues the discussion in the existing literature on resource dependence by revealing the efforts of local NGO leaders in diverting external control caused by donor dependence and, instead, turning to earned income. The study also has important policy implications for regulating NGOs' related business activities that are not core to their missions. There are also implications for development practitioners and NPO leaders since the study proposes ways to maximise benefits while minimising associated risks of social enterprises in countries of similar context.

### **1.8 Significance and Contributions of the Study**

Broadly speaking, the research findings are expected to benefit different groups of people including those in academia, development practitioners and policymakers. Using Cambodia as a case study, the research contributes to the limited scholarly research study and literature in the field, hoping to improve the practice of community development (e.g. by focusing more on development from below) and improve policies at the national level (e.g. through the

process of legal and institutional support for social enterprises and improved dialogue between various local government and local NGO stakeholders).

### **1.8.1 Setting within the Cambodian Research Programme**

This PhD research project is part of a large Cambodia Research Programme, “Competing Hegemonies: Foreign-Dominated Processes of Development in Post-Conflict Cambodia”, a collaborative project between Dutch and Cambodian academic institutions and funded by the Netherlands Organisations for Scientific Research (NWO). Other research projects include topics dealing with state-society relations, impacts of Chinese and Korean investments, Sino-Khmer entrepreneurship and diaspora institutional entrepreneurship. One of the main objectives of the programme is to “analyse the diverging ways in which the main stakeholders in Cambodian development (government, civil society, foreign investors, and the Cambodian diasporas and business community) position themselves vis-à-vis one another and the development models that emerge in their wake” (Cambodia Research Programme, 2010). My project contributes to the programme by analysing the struggles of local NGOs in financing their social programme while balancing between profit and social value creations. Furthermore, the project raises the question whether NGOs, by adopting an innovative approach to development (such as social enterprises and social entrepreneurship) can break the cycle of a donor-dependent economy and society. Alternatively, will the dominant form of externally driven development process continue to be pervasive?

### **1.8.2 Scientific Relevance and Outputs**

This study has several contributions to the scientific community. As I have established, scant literature exists on how Cambodian NGOs are diversifying their resource mobilisation strategies. Since commercial strategies are a rather new approach being used by Cambodian NGOs, it has only recently attracted scholars’ attention. Whether the strategy is beneficial to or hindering NGOs’ mission is still highly contested.

The project therefore contributes significantly to the scholarly literature and theories on resource mobilisation strategies and particularly commercial activities of NGOs in the context of developing countries in Southeast Asian, using Cambodia as a case study. The revelations of the evolving organisational models based on the specific approach to exploit innovative business strategies, which range from establishing a sister enterprise to becoming a fully operating social

enterprise, contributes to theory building on social entrepreneurial NGOs, social enterprise and social entrepreneurship. In particular, this research contributes to the theoretical debate on whether the market strategy results in social entrepreneurship and potentially shifts the financial dependence of local organizations from external to local resources.

The rich data collected during the fieldwork has led to a number of research articles, conference papers and one article for a development magazine (Tables 1.2 and 1.3). Specifically, in collaboration with two of the supervisors, I have written four research articles on different but related topics. One of the articles, presented as Chapter 3, is a published journal article in *VOLUNTAS: The International Journal of Voluntary and Nonprofit Organisations*. Three other articles have been submitted and are being reviewed for different international peer-review journals. Two of the articles were presented at two regional conferences in 2013. The data from this project will contribute to a series of working papers to be prepared for the “International Comparative Social Enterprise Models” that I am involved in with two other local researchers as founding members for Cambodia. The research is a collaboration project between host institute EMES European Research Network, Centre for Social Economy and others research and academic institutions (including the Royal University of Phnom Penh representing Cambodia) from 47 countries across the world.

**Table 1.2: Journal Articles, Development Article and Working Paper**

Chapter	Article titles	Journals/Status
2	Social enterprise as a new way forward for development NGOs? A theoretical discussion ( <i>Khieng, S., &amp; Verkoren, W.</i> )	<i>Development Policy Review</i> (Submitted in July 2013, currently under review)
3	Funding mobilisation strategies of nongovernmental organisations in Cambodia ( <i>Khieng, S.</i> )	<i>VOLUNTAS: International Journal of Voluntary and Nonprofit Organisations</i> (Published, September 2013)
4	Resource dependence and effects of NGO resource mobilisation strategies in Southeast Asia: The case of Cambodia ( <i>Khieng, S., &amp; Dahles, H.</i> )	<i>VOLUNTAS: International Journal of Voluntary and Nonprofit Organisations</i> (Submitted in September 2013, under “revise and resubmit”)
5	Commercialisation in nonprofit sector: The dawn of nonprofit social enterprise ( <i>Khieng S., &amp; Dahles H.</i> )	<i>Journal of Social Entrepreneurship</i> (Submitted in December 2013, currently under review)
N/A	Balancing social and entrepreneurial values ( <i>Khieng, S., &amp; Quak, E.</i> )	<i>The Broker: Connecting World of Knowledge</i> (an online development and globalisation magazine based in Amsterdam) (Published online, October 2013)
N/A	The international comparative social enterprise models (Lyne, I., Khieng, S., & Ngin, C.)	EMES European Research Network (EMES) and The Centre for Social Economy ( <i>Manuscript under preparation</i> )

**Table 1.3: Conferences Papers/Poster/Presentation/Speaker**

	Article/Poster Titles	Conferences/Events
1	The dawn of nonprofit social enterprise in Cambodia? The process of commercialisation in the nonprofit sector	Griffith Asia Institute's Southeast Asia Studies Group Meeting (4 October 2013)
		Massey University's Annual Social Innovation and Entrepreneurship Conference, Auckland, New Zealand (27–29 November 2013)
2	The effects of commercialisation of NGO services in Cambodia	ISTR's Asia Pacific Regional Conference, Seoul, Korea (24–26 October 2013)
3	The effects of NGOs' commercial activities to the development of Cambodia (Guest Speaker)	Voice of America's Hello VOA Radio call-in Show (Khmer Service) (18 February 2013)
4	Local NGOs balancing between social value creation and profit-making: The dawn of social enterprises?	4 <sup>th</sup> Southeast Asia Update Conference, Radboud University Nijmegen, The Netherlands (22 June 2012)
5	What can NGOs learn from the private sector?: The need for sustainability in the third sector (Invited Moderator)	Conference on "Social Enterprise: Developing the social economy and generating sustainable and creative solutions to poverty and social exclusion" Royal University of Phnom Penh (19–20 August 2011)
6	Promoting local ownership and community empowerment: the roles of local NGO enterprises in Cambodia (Poster Presentation, Best Poster Award)	2 <sup>nd</sup> Fresh Perspectives Conference 'New Encounters', VU University Amsterdam, The Netherlands (15–16 September 2010)

### 1.8.3 Societal and Policy Implications

Cambodian NGOs' dependency on grants and donations and the consequences associated with such dependency have forced many of them to diversify their funding sources rather than being dependent on one particular source. By analysing the characteristics of different strategies, and their impacts on the organisations, this research provides NGO leaders, managers and other development practitioners with critical knowledge on the diverse resource mobilisation options and their benefits and risks. More importantly, the special focus of the study on commercial activities and social entrepreneurship to finance organisational social programmes will offer information, based on the experience of other NGOs in different sectors, on whether this approach is appropriate for them. I anticipate the findings to provide some guiding principles in forms of lessons learnt for NGO managers, if they decide to integrate social entrepreneurship into their programme.

More broadly and through various dissemination channels that I am engaged in, I hope this project will contribute to raising the awareness of the concepts of social enterprise, social entrepreneurship and social entrepreneurs, particularly in local language (Khmer). More importantly is how NGO leaders in Cambodia conceptualize these terms. It is also the research objective to inform policymakers to make appropriate political and policy supports and



frameworks for such organisations. This is particularly relevant, as the government has proposed a law to regulate NGOs/Associations in Cambodia.

### **1.9 Organisation of the Dissertation**

The dissertation consists of seven chapters. Chapter 1 has introduced the overall research objectives, questions, framework, and methodology approach and research findings. The next chapter (2), entitled “Social Enterprise as a New Way forward for Development NGOs? A Theoretical Discussion” serves as the overall literature review and theoretical backbone of the PhD research project. It is the result of collaborative work between my co-supervisor, Associate Professor Willemijn Verkoren, and myself, and is currently being reviewed for an international development journal. The following three chapters consist of a series of empirical papers. Chapter 3 “Funding Mobilisation Strategies of Nongovernmental Organisations in Cambodia” discusses the three main types and trends of resource strategies and has been published by *VOLUNTAS*. Next is the empirical Chapter 4 on “Effects of NGO Resource Mobilisation Strategies in Cambodia”, which is also a journal article under review for *VOLUNTAS*. The last empirical chapter (5) deals with the core issues of the dissertation, and is titled “Commercialisation in Nonprofit Sector: The Dawn of Social Enterprise in Cambodia?” It has been submitted to the *Journal of Social Entrepreneurship*. The last two papers are co-authored with my main supervisor, Professor Heidi Dahles. I conclude in Chapter 6 by discussing the most significant findings, drawing main contributions and implications. The appendices consist of the research instruments and documents (letters of invitation and support, informed consent, survey questionnaire, interview guides, list of all informants and maps of the regions where the data collection took place).

## CHAPTER 2:

### 2 SOCIAL ENTERPRISE AS A NEW WAY FORWARD FOR DEVELOPMENT NGOs? A THEORETICAL DISCUSSION<sup>2</sup>

#### Abstract

Increasingly, nongovernment organisations (NGOs) are looking to a strategy of social enterprise (SE) as a way to generate income. This strategy has advantages as well as drawbacks. An important advantage is to reduce dependency on donor funding, thereby increasing organisational autonomy and avoiding donor-induced *goal displacement*. In addition, SE generates social capital that can be mobilised to make operations more sustainable. Compared to donor-funded NGOs, SEs also have a much stronger incentive to be accountable to their beneficiaries (or clients) or even to prioritise them completely, thereby empowering local communities. However, a risk is that commercial activities may end up overshadowing social aims. Reduced accessibility of services may also occur, as people may have to start paying for them. There is good cause for NGOs to explore SE, but it needs to be approached with care. Since each funding strategy has its drawbacks, a diversification of funding sources is desirable.

**Key words:** commercialisation, autonomy, social enterprise, NGOs, Cambodia

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<sup>2</sup> This article is co-authored by Khieng and Verkoren and is under review at *Development Policy Review*.

## 2.1 Introduction

Non-governmental organisations (NGOs) are increasingly under financial pressure. Many struggle to survive. New expressions of civil society, from internet activists to youthful demonstrators, have taken the forefront and the old guard of professional NGOs has difficulty linking up to these new developments. To make matters worse, NGOs have had to face mounting criticism over their perceived lack of autonomy (Edwards & Hulme, 1996) and their incorporation into a neoliberal agenda (Dagnino, 2008). In particular, two problems have haunted NGOs over the past years: first, a dependency on official development funds, and later, when these funds began to decrease, financial challenges.

NGOs in developed countries have come to depend on foreign funding, leading to a loss of independence and a reduced political role (Bebbington, Hickey, & Mitlin, 2008). In turn, NGOs in developing countries have been highly dependent on their funders—often NGOs from developed countries or international organisations (IOs)—leading to their incorporation in the same aid system and very similar questions about a lack of independence. Both Northern and Southern NGOs have been criticised for having their agendas set by their donors (Bebbington et al., 2008).

In developing countries, much funding has gone into the creation and support of local NGOs. Though the initial aim of such financing was *civil society building*, it has created a sector of professionalised NGOs that carry out donor agendas and are versed in international jargon, but have often little connection to the local constituencies on whose behalf they are supposed to act.

Recently, development funds available to NGOs have been reduced, which is due to at least two reasons. First, due to the global economic crisis as well as growing doubts about aid effectiveness, development funds as a whole have decreased. Second, it appears that the heyday of ‘civil society’ financing is over and aid is increasingly being channelled again through developing country governments, whether through direct budget support, decentralisation schemes, or otherwise.

These developments have put NGOs under pressure. As a result, many have started searching for alternative ways of financing themselves. NGOs have sought to diversify their funding strategies, seeking sustainable and locally available financial resources to fund their social programmes in order to gain independence from the foreign aid cycle and be able to have

more control of projects' contents. Social entrepreneurship is one possibility. Some NGOs use commercial practices such as raising fees and selling products and services to meet their social aims. This results in hybrid agencies that are often referred to as social enterprises (SEs).<sup>3</sup> Increasingly, NGOs are coming to partly or even fully depend on generating incomes from sales of goods and services as they try to diversify their sources of funding. This development is not uncontroversial, as it calls into question NGOs' defining feature of being *nonprofit*.

In this article, we bring together recent literature on social entrepreneurship, and discuss its advantages and disadvantages as a strategy for, or alternative to, NGOs. Although much has been written about social enterprise, little theory as yet exists on the consequences of commercial activity as an income-generation strategy for NGOs. The discussion will show that social entrepreneurship as an income generation strategy for NGOs has important benefits, including increased organisational autonomy and a stronger incentive to be accountable to beneficiaries (or clients). However, there are risks. The mix of economic and social aims of social enterprises raises questions about which aim predominates, and at which point an enterprise crosses the line between being primarily social and primarily commercial. In addition, there are important questions about the accessibility of services offered by commercialised NGOs. We conclude that social enterprise is a promising strategy, but it needs to be approached with care. A better theoretical understanding of this hybrid form of organisation is vital. This article hopes to contribute to this by specifically looking at the potential benefits and risks associated with this strategy. Although the article is mainly theoretical in nature, it also draws on some empirical data from Cambodia.

## **2.2 The Social Enterprise**

Entrepreneurship has been defined as “the process of attempting to make business profits by innovation in the face of risk” (Tan, Williams, & Tan, 2003, p. 10). What makes an enterprise a *social* one is that it aims at social change (Dees, 1998; Peredo & McLean, 2006), rather than, or in addition to, the usual aim of wealth creation. Social enterprises make profits, but the activities they pursue have a social objective. In addition, SEs' earned wealth is distributed beyond the individual entrepreneur and shareholders to wider communities. This social value creation proposition is seen to differentiate social entrepreneurship from traditional entrepreneurship.

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<sup>3</sup> Internationally renowned social enterprises include the Skoll Foundation and Ashoka.

In some cases, SEs are even owned by local communities (Peattie & Morley, 2008). In addition, what is innovative about social entrepreneurship is that business principles are used to solve social problems (Dacin, Dacin, & Matear, 2010; Dahles, Verduyn, & Wakkee, 2010; Martin & Osberg, 2007).<sup>4</sup>

Social entrepreneurship thus aims at value creation that is both social and economical. Does this really make social enterprise different from ‘regular’ enterprises? Some scholars argue that separate theorising on social enterprise is not needed, because social entrepreneurship should not be considered a distinct field of study. According to these authors, the term “social entrepreneurship is a tautology as entrepreneurship is social by nature” (Dahles et al., 2010, p. 3). Others disagree, arguing for the construction of theory on social entrepreneurship as something distinct from entrepreneurship as such (Borzaga, Depedri, & Tortia, 2009; Laville & Nyssens, 2001). These authors emphasise the inability of traditional entrepreneurship theories, such as neo-classical and new-institutionalist theory, to explain

the ability of cooperative and social enterprises to control decision-making costs through appropriate governance structures and to increase production and social surplus by defining a mutual benefit and public objective and by setting value on motivational factors not exclusively linked to self-regarding and monetary aims. (Borzaga, Depedri, & Tortia, 2010, p. 5)

To some extent, this theoretical discussion is also reflected in practice, as a wide range of more-or-less commercial actors employ the term *social enterprise* to describe their activities. Organisations involved range from civil society organisations undertaking commercial activities to commercial businesses formulating social aims. Phenomena included under the social enterprise umbrella are community entrepreneurship, public entrepreneurship, cooperatives, fair trade, microfinance schemes, corporate social responsibility, socially responsible business, philanthropic ventures (or “philanthropreneurship”), volunteerism, civic entrepreneurship, and social economy (Alter, 2007; Lundqvist & Middleton, 2010). In response to what may be seen as an inflation of the term SE, various authors argue for a narrowing of the definition of social entrepreneurship (Certo & Miller, 2008; Martin & Osberg, 2007). However, a fixed definition may not capture

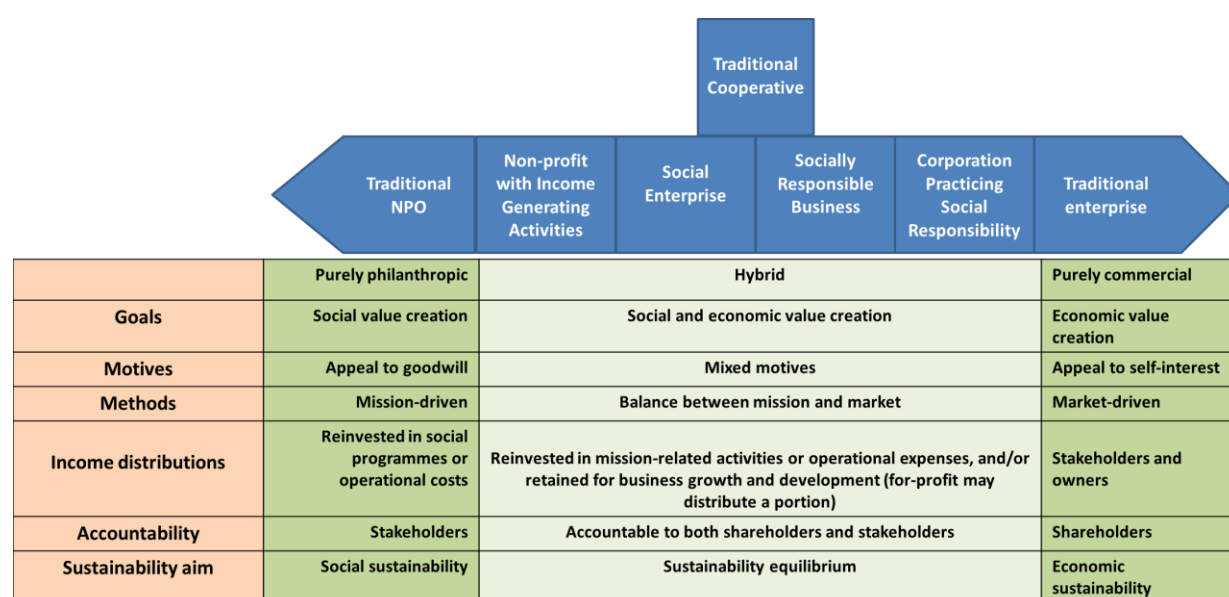
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<sup>4</sup> Some give more specific definitions of social enterprise, arguing that it should contain elements of social mission, innovation, sustainability, autonomy, and risk (Hervieux, Gedajlovic, & Turcotte, 2010).

the ever-evolving organisational forms both in the not-for-profit and business sectors, constantly creating new hybrid forms of organisation (Dacin et al., 2010).

A way to make sense of all this is to place organisations that can be associated with social entrepreneurship on a continuum. Austin et al. (2006) argue that “the distinction between social and commercial entrepreneurship is not dichotomous, but rather more accurately conceptualised as a continuum ranging from purely social to purely economic. Even at the extremes, however, there are still elements of both. That is, charitable activity must still reflect economic realities, while economic activity must still generate social value” (p. 3). In line with this, various authors (Alter, 2007; Borzaga et al., 2010; Dacin et al., 2010; Dees et al., 2002; Hansmann, 1987) have constructed figures such as the one below (Figure 2.1).

**Figure 2.1: Continuum of Organisational Diversity in Social Enterprise Discourse**



Source: Adapted from Alter (2007)

In this figure, on the far left we find the mission-driven traditional not-for-profit organisation aiming to create social value. On the opposite end, we have the market-driven, purely commercial enterprise that is only concerned about its economic sustainability. In between these two extremes we find a wide variety of hybrid forms of organisation, from not-for-profits with some minor income-generating activities to socially responsible businesses. These hybrid organisations usually have mixed missions and motives. Social enterprises and traditional cooperatives stand out almost in the middle due mainly to their ability to balance between social value creation and economic accumulation (Alter, 2007).

In this article, we focus on a specific category: nonprofit organisations (NPOs)<sup>5</sup> that develop commercial activities as a way to generate income to support their social agenda. An NPO is a private, self-governing, voluntary organisation that does not distribute its profit to its owners or stakeholders (Simsa, 2003). It is private in the sense that it is institutionally separated from the state; and it is voluntary since membership is not legally bound and as such the organisation solicits voluntary contribution in time and money. Similarly but more narrowly defined, according to Hansmann (1980), an NPO is an organisation that, although not barred from making a profit, is limited in distributing its profit to its controller, be it the organisation's members, officers, directors, or trustees. Rather, the surplus can be retained, reinvested, or given as grants to other NPOs. Hansmann (1980) distinguishes an NPO from a for-profit organisation mainly by the "absence of stock or other indicia of ownership" (p. 838) that provide both profits and control of the organisation to its owners.

To illustrate the rise of social enterprise, not just in developed but in developing countries, we consider Cambodia. In Cambodia, social entrepreneurship is quite a recent phenomenon but has gained increasing popularity, especially among local NGOs operating in the country. SE practices in Cambodia range from hospitality, handicrafts, and IT to microfinance. Some of the first local NGOs that started social entrepreneurship in the country are Friends-International (Mith Samlanh), Digital Divide Data (DDD), CEDAC (Cambodian Centre for Study and Development in Agriculture). *Mith Samlanh* (Khmer word for *friends*) has its *social businesses* that provide various services (vocational training, restaurant, nail bar, clothes and accessories shop), and sell products produced by disadvantaged groups. Launched in 2001, DDD is a successful social enterprise, through its IT outsourcing approach, provision of jobs and educational opportunities to people from disadvantaged backgrounds ("DDD," 2010). Working in the agriculture sector with rural farmers, CEDAC has been working across the country to provide training and technical assistance for efficient farming methods, organic farming, fair trade, and creating farmer saving groups (CEDAC, 2010). Another varied practice of SE is in microfinance; instances of such are Angkor Mikroheranhvatho Kampuchea (AMK), which originated from a saving and credit programme of an international development organisation Concern Worldwide, and ACLEDA Bank, a former local NGO for micro and small enterprises development and credit supported

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<sup>5</sup> In this article, we use both the term nonprofit organisation (NPO) and nongovernmental organisation (NGO). The two are not entirely the same, although the two categories often overlap. NGOs can be seen as a type of NPO.

by the International Labour Organisation (ILO) and the United Nations Development Programme (UNDP) in Cambodia. While DDD describes itself as a not-for-profit company, the other four organisations mentioned above are either local NGOs or former NGOs, and so are many other social enterprises that are officially listed with the government as local NGOs. Some social enterprises are based in the urban areas; many others are closely located in the rural, poor and disadvantaged communities throughout the country.

Donors provide both financial and technical support to social enterprises in Cambodia. This support ranges from direct funding to local NGOs to start up an enterprise to collaboration among various key stakeholders (donors, corporations, academic institutions, rural communities) on funded projects that promote public–private partnership initiatives for improved competitiveness for SMEs. A few of these programmes include the Mekong Private Sector Development Facility (MPDF) and the Grassroot Business Initiatives of the International Finance Corporation (IFC), UNDP and German Technical Cooperation (GTZ) Programme on Growing Sustainable Business Initiative, the Netherlands Development Finance Company (FMO) programme that support a few key MFIs, and Total Cambodge’s Corporate Social Responsibility Programme with UNDP.

These programmes may or may not be very particularly focused on social enterprises; however, they provide some necessary support for such programmes’ existence, growth and efficiency. That said, however, donor support for SE is often difficult to find. One reason for this is the grey area between commercial and social enterprises and donors’ reluctance to support profit-making endeavours. More broadly, sustainability and community impacts in the long run do not seem to be in many of the donors’ agenda. As Lyne (2008) puts it, “the expectation of sustainability in the short term by some donor (and government) agencies often make it difficult to gain funding for new ideas which would have a high social return in the long term” (p. 183).

### **2.3 Social Enterprise and the ‘Three Failures’**

How can social enterprises compete with wholly commercial enterprises? According to theorists, NPOs fill a gap that is created by market failure and government failure. However, their ability to complement the activities of commercial and government actors is constrained by their own limitations, which have been termed “voluntary failure” (Salomon, 1987).



Market failure refers to inefficiencies in the allocation of products or services. Some products or services are inadequately provided, their access is restricted, or available products are of insufficient quality (Steinberg, 2006, p. 119). This is related to information asymmetry: consumers are often unable to evaluate exactly the quality or quantity of services or products because opportunistic for-profit firms have an incentive to withhold or exaggerate information to maximise profits. This is where NPOs have comparative advantage since they have less incentive to take advantage of their customers (Hansmann, 1987, p. 29). Indeed, Ben-Ner (1986) asserts that the rise of NPOs is often due to consumers' desire to exercise control over the firms that they purchase service or goods from.

Governments may respond to market failures by producing collective goods, regulating firms' claims about their products, subsidising particular goods and services, and introducing licensing and bonding requirements (Steinberg, 2006, pp. 121–122). However, governments' efforts are not always efficient or effective. In democratic countries, government agencies are only satisfactory to the median voters, leaving out those whose demands are different from the median (Weisbrod, 1975, p. 32). Alternatively, in political systems based on patronage, governments will tend to orient services primarily to their own political supporters. In addition, there is what Steinberg calls "the unobservable": governments cannot regulate problems or abuses by the market that they cannot detect. Governments, too, can suffer from information asymmetry.

Nonprofit agencies can meet demands left unfulfilled by commercial actors and government agencies (Hansmann, 1987, p. 29). They do not have an incentive to withhold information, nor do they have a bias toward their political supporters. However, NPOs do not solve the failures of the other two sectors altogether. This is attributed to "voluntary failure". NPOs are likely to be less efficient and more amateuristic than for-profit enterprises. They also have a tendency toward paternalism, which means they pay less attention to the demands of consumers (Salomon, 1987). This limits NPOs' ability to respond to goods and services under-provision (Steinberg, 2003). In line with this argument, Hansmann (1987) claims that:

It is almost certainly true that non-profit firms are productively inefficient in the sense that, in the absence of subsidies or a substantial degree of market failure of some type (such as contract failure) in the product market, they will generally produce any given good or service at higher cost than would a for-profit firm. (p.38)

Some commentators on social enterprise, such as Teasdale (2012), attribute the emergence of social enterprises to the failure of the government, while other forms of SE, such as cooperatives and community enterprises, thrive in areas where the markets fail. In addition, SEs are fulfilling the new needs caused by market externalities, such as pollution or child labour (Mair, 2010). To sum up, SEs offer goods or services “existing public, private or voluntary sector institutions fail to provide” (Mair, 2010, p. 19).

## 2.4 Comparing Different Funding Sources and Their Effect on NGOs

So far, we have established that social enterprises represent a hybrid category containing a wide variety of different kinds of organisations, and that they are seen as a possible response to the failures of public, private and fully nonprofit actors. Social enterprises fill a niche, or carve one out; they are not concerned specifically with profit making, but rather the generation of social value. This they have in common with traditional, non-commercial NGOs. But what distinguishes social enterprises from traditional NGOs? What benefits and risks can be associated with NGOs’ adoption of commercial income-generation activities?

Froelich (1999) and Viravaidya and Hyassen (2001) have compared the impacts on NPOs of different strategies for resource mobilisation: private contributions, government funding, and commercial activity (Table 2.1).

**Table 2.1: Three Types of Funding Strategies**

Impacts	Funding Sources		
	Grants and Donations	Government Funding	Commercial Activity
Revenue volatility	High	Low	Moderate
Goal displacement effects	Strong	Moderately strong	Weak
Process effects	Formalisation	Formalisation, standardisation	Rationalisation
Structure effects	Professionalised administration	Professionalised bureaucracy	Professionalised business forms

Source: adapted from Froelich (1999)

Private contributions and government funding are two different types of what we in this article call *donor funding*. Private contributions include donations from individual or corporate entities and grants from foundations. In the US, individual donations constitute a large percentage of the total private contributions, representing about 85%. Froelich suggests that contributions from donations and grants provide both support and legitimacy for

organisations. Constraints relating to such sources of funding, especially grants from foundations are common; the funding is usually unpredictable and unstable and is attached with sets of conditions that can negatively impact organisations' goals and missions. Some organisations have to adjust or modify their goals or programme priority to fit or satisfy the needs or requirements of funding agencies or individual donors, *a goal displacement effect*. Private contributions are also associated with structure and process effects on NPOs; "over time, professionalised form of administration emerged, and nonprofit organisations have increasingly come to resemble for-profit corporations" (Froelich, 1999, p. 253).

Another source of funding for NPOs is government funding, which may be parts of the national budget or aids from development partners that are channelled through either government ministries or sub-national governments. Unlike grants and donations, government funding is more limited, especially in developing countries where government institutions are usually under-financed and depend on foreign aid. Despite being low in volatility, government funding is no exception when it comes to goal displacement, changes in internal process and structure of nonprofit recipients albeit to a lesser extent. Specifically, Froelich (1999) mentions "government-driven professionalization, bureaucratisation, and loss of administrative autonomy" (p. 256) of NPOs. These issues are well known in the world of development NGOs.

The last type of funding sources is through commercial income-generation activities. Results from Froelich's research suggest that commercial activities have moderate volatility, which is partially accounted for by possible failure of the venture. On the positive side, self-financing from such activities not only provides organisations with the lowest risk of goal displacement but also gives them more flexibility and autonomy than the other two forms of funding strategies. Froelich (1999) suggests that "calls of alarm over commercial strategies seem exaggerated" (p. 261) because all forms of funding strategies come with side effects. In addition, the risk of resource volatility also applies to other sources of funding; the expectation that there are always flows of unconditional funds for social missions has never been a reality (Froelich, 1999) and increasingly, NGOs today face declining donor aid.

It is, however, not self-evident that relying on commercial income generation will prevent goal displacement. Though goal displacement of SEs may be less direct and less imposed, it may nonetheless gradually occur. Indeed, a wide array of literature (Dees et al., 2002; Defourny et al., 2010; Fischer et al., 2011; Haugh, 2007; Weisbrod, 2000, 2004; Young

& Salamon, 2002) sees the risk of losing sight of one's original aims as the most important risk of NGO commercialisation. Profit making may become attractive in itself and lead to a more or less subtle diversion from an NGO's core social mission (Weisbrod, 2000). This may generate internal division and strife, or even cause an organisational split. The result may be to divert "scarce resources away from their social purpose to compete with other organisations" in the market (Haugh, 2007, p. 416). As they experiment with profit making, NGOs may be tempted to become for-profit enterprises altogether, reducing their role in public good delivery (Haugh, 2007, p. 429). Such organisations lose their role in countering contract failure, as discussed above.

In addition to goal displacement, NGO commercialisation may also lead to management displacement, when managers with experience and knowledge in business replace existing ones who do not possess these qualities (Weisbrod, 2000). This process could also affect staff more broadly (staff displacement). Staff who remain may become demotivated as a result of the changes. NGOs might also lose their connections to their original constituencies because their reliance on commercial activities forces them to devote their energies to building networks with market players instead (Eikenberry & Kluver, 2004).

To conclude, the effects of different funding strategies on NGOs are more mixed and complex than Froehlich suggests. Her argument that commercial income is more volatile than donor funds is countered by the reality of donors' budget cuts and the way in which they shift their assistance from one country to another. Similarly, her conclusion that commercial income is not associated with goal displacement overlooks debates about the risk that commercialisation may take attention away from NGOs' social mission. If anything, we can see that any funding strategy has its pros and cons. Let us now turn specifically to the pros and cons of commercial income generation.

## **2.5 Pros and Cons of Commercial Income Generation for NGOs**

### **2.5.1 Benefits**

The literature mentions a number of distinct benefits of entrepreneurial income generation by NGOs. Avoiding the constraints and obligations imposed by donations may lead to the NGOs being increasingly flexible in meeting customers' diverse needs and demands (Haugh, 2007). Some authors expect that this way, organisations can stay more focused on their "bottom line" (Frumkin, 2005, p. 152), although, as discussed above, the idea that commercialisation prevents goal displacement is in fact questionable. Other benefits mentioned by authors

include more professionalised management (Alexander, 2000) and more incentive to measure their “social and economic” achievements (OECD, 2003).

However, the majority of the literature discussing social enterprise benefits focuses on three related issues: local ownership, community empowerment and social capital. We start with ownership and empowerment. A key advantage of SEs as compared to nonprofit NGOs, according to literature, is that they are better equipped at creating local ownership of community development projects. SEs can be more accountable to their beneficiaries since these beneficiaries have now become ‘clients’ and can demand value for their money. In other words, “social enterprises are held accountable through market mechanism” (W.-J. Wang, 2009, p. 13).

In order to meet clients’ needs and expectations, social entrepreneurs have to invest in understanding what these needs are. There is thus a very real incentive to take ‘clients’ seriously and to involve them in the planning of activities. Of course, donor-funded projects also aim to do this, not out of economic necessity but for normative reasons. However, genuine community ownership is in such cases often inhibited by the fact that project implementers are forced to account primarily to donors, and to fit programmes within donor’s policy frameworks. Accountability in this case is ‘upward’ to donors, and this complicates ‘downward’ accountability to target groups. SEs, too, are accountable to their financiers, but in this case, the target groups themselves are the financiers.

Being involved in social activities as ‘clients’ or even ‘owners’ can be empowering to community members. In addition, some SEs expand their income-generation activities to the broader community in which they work, assisting community members to develop income generation activities of their own. In this way, communities are empowered to take ownership of initiatives taking place.

Another relevant concept is social capital. Social capital has been defined by Putnam (Putnam, 1995, p. 67) as the features of social organisation that facilitate coordination and cooperation for mutual benefit, such as networks, norms, and social trust. A widely associated link between social enterprise and social capital is one of the key arguments found in literature in favour of social enterprise.

Social capital is also mentioned in much literature about civil society and NPOs, which considers social capital a key feature and outcome of citizens’ associations. The inventor of the social capital concept, Putnam gives examples from parent–teacher

associations to bowling clubs (Putnam, 2001). However, while in Putnam's work social capital is understood primarily as a socio-political resource that contributes to democracy, SE literature understands it more as a (socio-)economic resource mobilised and generated by SE. In the form of informal networks, trust, and embeddedness in local community, social capital facilitates coordination and cooperation. It can increase productivity by reducing transaction costs, especially ones that are associated with trust, between different stakeholders (e.g. users, donors, and government official) and the enterprise. In addition, social capital also cuts production costs by enabling the social entrepreneur to mobilise resources such as volunteer works, donations and gifts (Laville & Nyssens, 2001).

In the words of Evers (2001), social capital "indicates the key role of a number of non-material social and political factors which nevertheless materialise as an economic and financial advantage to social enterprises" (p. 301). Social capital as an economic resource adds to other kinds of resources such as government support and incomes from sales of goods and services to customers. Evers (2001) continues:

... while the third-sector organisations may survive with minimal public support and without income from sales, a certain level of social capital resources is absolutely critical for their survival as social and civic organisations. A foundation can go on as long as there is fund, but the social echo and support is finally decisive for its real status, i.e. being a social enterprise or not (p. 301).

Understood in this way, social capital is what makes a social organisation sustainable, reducing its dependency on outside funds. If an organisation is able to mobilise this social capital to benefit its own continuation, then it crosses the line from CSO to SE. Indeed, it is argued that "the origins of social enterprises are supported by norms of reciprocity and networks of civic engagement", which then will be sustained through their ability to exploit different forms of the economy (market, non-market and non-monetary economy) to serve their goals (Laville & Nyssens, 2001).

Thus, although NGOs, too, may generate social capital, in the case of SEs, this capital can be an economic asset and may be used to contribute to organisational sustainability and socio-economic progress for communities. In addition, social capital and economic performance are seen as mutually reinforcing. The enhanced access to services and skills development that SEs may yield in turn can serve to strengthen social capital (Borzaga & Solari, 2001; Haugh, 2005; Massarsky, 2006).

### **2.5.2 Risks**

There are thus important potential benefits to NGO commercialisation. But what are the pitfalls? One major risk is goal (and staff) displacement, as already discussed in the previous section. A second important risk concerns the accessibility of services offered by the NGO. For example, if an NGO begins to charge fees for its services, this may exclude the very poorest from access to these services, even though helping the most marginalised groups is core to the mission of many NGOs (Weisbrod, 2000; Young, 1998). It is also possible that NGOs begin to concentrate their activities in sectors in which profit making is most feasible, instead of the sectors where the need is highest (Frumkin, 2005).

A third risk is that profit making may compromise an NGO's reputation (Weisbrod, 2004). A fourth risk is that people involved may take advantage of the hybridity of the newly commercialised organisation and misuse it for their own ends. For example, there could be an unrightful exploitation of profits by the NGO's management, which is particularly likely in countries where laws stipulating the nondistribution of NGO surplus are weakly enforced. Another possibility is that, because of lower tax rates for NPOs, enterprises disguise themselves as social enterprises and engage in unfair competition with other enterprises (Weisbrod, 1988a). Of the risks mentioned, goal displacement and accessibility seem the most likely as well as the most salient.

### **2.6 Conclusion and Future Research**

Social enterprise is on the rise; NGOs are increasingly looking to this strategic orientation as a way to generate income during difficult times. SE is seen as an answer to the shortcomings (or 'three failures') of commercial enterprises, government actors and NPOs. SE is an elusive category however; organisations using this label range from NPOs that have some commercial income-generating activities to commercial enterprises aiming to act in a socially responsible way. In this article, we have focused on commercial income generation as a strategy for NGOs.

We have found that this strategy has advantages as well as drawbacks. An important advantage is to reduce dependency on donor funding, thereby increasing organisational autonomy and avoiding donor-induced 'goal displacement'. However, due to commercialisation, a different kind of goal displacement may occur, as commercial activities begin to take the foreground. Another important risk is a reduction of the accessibility of services, as target groups may have to start paying for an organisation's services. In order to

avoid these risks, NGOs should remain clear about their aims and keep their ultimate mission in mind.

On the benefit side, it is also theorised that SE generates social capital that can be mobilised to make operations more sustainable. In addition, compared to donor-funded NGOs, SEs have a much stronger incentive to account to their beneficiaries (or clients) or even to place them in the driving seat, thereby empowering local communities.

Currently, academic communities are still deeply divided over the mixed consequences and implications of social entrepreneurship. More research is needed to identify ways to address negative consequences and minimize risks. In addition, more cross-country research is needed to develop more conclusive patterns on how specific country-contexts may shape the characteristics, effectiveness and success of social entrepreneurial activities.

To sum up, there is reason enough for NGOs to begin exploring SE. However, the strategy needs to be applied with care. Since each funding strategy has its drawbacks, a diversification of funding sources is desirable. If NGOs can combine donor funds with commercial resources, then this would reduce their dependence on any single source and increase their much-desired organisational autonomy.



### **CHAPTER 3: 3 FUNDING MOBILISATION STRATEGIES OF NONGOVERNMENTAL ORGANISATIONS IN CAMBODIA<sup>6</sup>**

#### **Abstract**

The objectives of this paper are to map strategies for resource mobilisation in nongovernmental organisations (NGOs) in different sectors in heavily aid-dependent Cambodia and to analyse the past and future trends of each of the evolving strategies. The data used is the product of a national survey revealing NGOs' key funding sources and trends in a 10-year period from 2006–2016. Foreign grants and donations are still dominant, but one out of five NGOs surveyed engage in earned-income activities, and this trend is expected to increase in the next five years. This study contributes to the ongoing academic and development debate about the struggles nonprofit organisations face and the ensuing strategies for mobilising funding. It also raises questions about the potential effects of different strategies for resource mobilisation, social and ethical dilemmas, and the trade-off between different choices of funding resulting in a diversification strategy.

#### **Key words**

NGOs, funding trends, resource mobilisation, Cambodia

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### 3.1 Introduction

Official development assistance (ODA) has helped rebuild and reduce poverty in many post-conflict countries where public social services like health care and education are weak. In Cambodia, international development agencies and bilateral donors started providing substantial ODA to the country in the early 1990s following the first democratic election that was held after decades of civil war. Cambodia remains one of the most heavily aid-dependent countries in the developing world. Average annual ODA since 2005 amounts to 9–10% of the gross national product (Council for the Development of Cambodia, 2011). Despite the large influx of aid, many key basic social services in Cambodia do not reach those most in need due to inadequate reform, rampant corruption and low tax revenue. NGOs, which are also primarily dependent on international funding, play a vital role in Cambodian society, complementing the government in some areas and supplementing in others, providing education, health, agriculture and rural development services while advocating civil society space and stronger democratic governance at national level.

By the early 2000s, foreign assistance for Cambodia began to decline. Because of apparent political and economic inadequacies, donors began to question the effectiveness and efficiency of Cambodian NGOs in institutional reforms and poverty reduction programmes. Later on, the 2008–09 global financial and economic crises exacerbated this trend. Not only did the international donor community cut down on foreign assistance to developing countries as part of their austerity measures, but also greater demand and diminishing willingness to pay for NGOs services put further pressure on this scarce resource (Suárez & Hwang, 2012). Meanwhile, the number of NGOs soared between 2000 and 2011. Both local NGOs (LNGOs) and International NGOs (INGOs) are affected by these developments and face mounting competition in mobilising increasingly limited resources while meeting demands from the donor community for more visible short-term impacts (Parks, 2008).

These developments have raised the bar for LNGO operations, especially concerning human rights and advocacy, areas where NGOs' financial supports could be more challenging to mobilise from the local government, private sector and other sources (due partly to the sensitivity of the issues to the government). Constrained by limitations of this volatile and string-attached foreign funding regime, NGOs develop strategies to diversify programme funding to local available resources such as private benefactors and corporate sponsorship, government funding and commercial activities (Froelich, 1999).

A wide array of literature documents NGOs in post-conflict countries. Nevertheless, there is little scholarly research into how these local organisations have evolved over time, what specific strategies they use in resource mobilisation, and what success rates the different strategies show in different sectors. With the exception of the recent national survey by Suárez and Hwang (2012), there is very limited rigorous quantitative research into NGOs' strategies and resourcefulness in the social, political and cultural context of Cambodia. Generating such knowledge has broader, academic, development and policy implications in the region.

### **3.1.1 Objective of the Study**

The objective of this paper is to address questions regarding the diversification of NGO funding sources in Cambodia. Specifically, how did the funding strategies evolve in the five-year period 2006-2011, during which time Cambodia experienced impacts of the global economic crisis and changing donor priorities? In addition, how do NGO leaders expect the funding to change in the following five years (2011–2016)? This study contributes to the present debate about resource constraints and external control related to resource dependency theory and different mobilisation strategies adopted by local organisations in Cambodia with even wider implications for NGOs working in other parts of the developing world. More critically, the study provides perspectives on shifting roles of INGOs and LNGOs and raises questions about the potential impacts of different resource mobilisation approaches.

The next section briefly presents the development relevant to an understanding of Cambodia's NGO sector. This is followed by conceptualisation and operationalization of key terms. The paper then describes the methodology and data sources employed in the study. The core section of the paper presents key research findings and the analysis, followed by a discussion of funding trends. The paper concludes with implications of different strategies and the key issues for further research.

## **3.2 Background**

### **3.2.1 Cambodia: A Donor-Dependent Nation**

In Cambodia, ODA, which includes both grants and loans, has doubled from about US\$600 million in 2005 to about US\$1.2 billion in 2011 (CDC, 2011). This makes up about half of the annual national budget. The highly aid-dependent development process has several negative consequences. For example, various empirical studies suggest that the relationship between aid,

economic growth and poverty alleviation is positive only when a good policy environment and “sound economic management” exist (Burnside & Dollar, 1997; The World Bank, 1998).

Research also suggests that “aid dependence can potentially undermine institutional quality by weakening accountability, encouraging rent seeking and corruption, fomenting conflict over control of aid funds, siphoning off scarce talent from the bureaucracy, and alleviating pressures to reform inefficient policies and institutions” (Knack, 2001, p. i). Similarly, the fact that many Cambodian local NGOs receive funding from various international NGO has resulted in an upward accountability and submissiveness of NGOs since they are financially dependent, lack genuine grassroots representation and local ownership of their programme. Moreover, it has resulted in the reconciliation between two shifting paradigms: western concepts and agenda and local cultural, political and social context (Malena et al., 2009; Un, 2006).

A huge amount of international aid pays the salaries and expenses of mostly Western advisors and consultants who supposedly provide technical assistance for the government, which accounts for almost half of total aid disbursement to Cambodia (Council for the Development of Cambodia, 2007). This means that they not only substitute or supplement the work of government officials, but that also, as a consequence, “many of the development policies and programmes are conceived, prepared and proposed essentially by foreign donors in Cambodia” (Nagasu, 2004, p. 68). Cambodia, therefore, is much more than an aid-dependent nation—it is a donor-dependent nation. This dependency is rooted in the country’s historical and political context. Cambodia was a French protectorate for almost a century (between 1863–1953), under Japanese occupation between 1941 and 1945, and then was liberated from the Khmer Rouge by Vietnam in 1979 and continued to be occupied by them until 1989 (Chandler, 2007; Tully, 2006). Various heads of state and leaders were installed by foreign governments throughout Cambodia’s modern history. After the Paris Peace Accord 1991, the United National Transnational Authority of Cambodia (UNTAC) arrived in Cambodia and was responsible for peacekeeping and holding the first democratic election in early 1993. This marked the new era in Cambodian history in which the country began to reconstruct the country. With massive technical and financial aid from the international community, the weakly equipped government with poor institutions and human resources just left the development matters to the donors and complied to their interests and initiatives (Nagasu, 2004).

Based on sources of origin, there are two broad types of foreign assistance to Cambodia: (1) from Western donors and (2) from emerging East Asian nations like China, South Korea and Vietnam. Western aid usually comes with conditions and expectations for good governance. In contrast, Chinese aid is *unconditional*, at least in terms of no demand for good governance and with respect to human rights. By contrast, East Asian nations explicitly seek access for their (state-owned) corporations to tap Cambodia's rich natural resources and cheap labour. Some experts suggest that likely alternative sources of funding in Cambodia are business elites, returning Cambodian expatriates, and foreign investors. This is a valid challenge to the earlier belief that local sources of funding for NGOs in Cambodia were practically non-existent (Parks, 2008).

NGOs seeking ways to secure resources and struggling to address challenges through various diversification approaches are not unique to Cambodia. Various studies (Fischer et al., 2011; Fowler, 2000b; Viravaidya & Hayssen, 2001; Weisbrod, 1985) reveal that NGOs across the globe have also experienced similar funding constraints and suggest ways as to how their leaders can address the challenges. For instance, the Population and Community Development Association (PDA), which provides family planning services and fights AIDS in Thailand, the Bangladesh Rural Advancement Committee (BRAC), which focuses on rural development, and Yayasan Kusuma Buana (YKB), which provides basic health services in Indonesia, represent similar challenges in mobilising resources and their success in diversifying their income (Viravaidya & Hayssen, 2001).

### **3.2.2 NGO Contributions to Cambodia Development**

NGOs play key roles as development agents and have contributed quite significantly to developing the economy and reducing the poverty in Cambodia. Between 1992 and 2011, NGOs contributed about US\$1.1 billion or 10% of total aid from their own resources (Council for the Development of Cambodia, 2011). In 2010 alone, NGOs provided more than US\$127 million and managed other US\$93 million from development partners, resulting in over 20% of total ODA for Cambodia. In a government annual development effectiveness report, the government acknowledged NGO substantial contributions to national and sub-national development through both service provision and policy advocacy. Based on their funding allocation and in order of importance, NGOs' main areas of activities are health and HIV/AIDS, education, and community development (Council for the Development of

Cambodia, 2011). These sectors are very much in line with the priorities of the National Development Strategic Plan (NSDP). Beyond basic social services, NGOs have also developed strong roles in “extending and deepening democracy in terms of forming democratic attitudes and habits of tolerance and trust; reconciling people through changing attitudes and inculcating a culture of peace; building social capital and bridging societal gaps” (Merla, 2010). Similarly, according to veteran development expert Eva Mysliwiec, “the single most important contribution of NGOs to Cambodia is in building social capital” (Xinhua, 2009).

In addition, several umbrella NGOs (the Cooperation Committee for Cambodia, NGO Forum and MEDiCAM) have been key policy dialogue partners with the government and other NGOs, participating in 16 out of 19 Technical Working Groups (TWG) in various sectors. Another contribution is the NGO community’s efforts of to promote accountability and good governance among civil society organisations with the flagship programme called Voluntary Certification System. Since its launch in 2007 and with the lead of the Cooperation Committee on Cambodia, this programme has set out Code of Ethical Principles and the Minimum Standards for NGOs in Cambodia and has so far helped and certified a number of NGOs who meet the set criteria.

A 2012 NGO survey estimates that over 52,650 local staff are employed with NGOs across the country, which has contributed to the national socioeconomic and human resource development significantly (Cooperation Committee for Cambodia, 2012). NGO programmes directly benefit over one million Cambodians across the 24 cities and provinces (Cooperation Committee for Cambodia, 2012). The major groups of beneficiaries are children (17%), women (12%), general populations (12%) and student and youth groups (11%). A recent development of social entrepreneurship among the NGO community has contributed and will continue to contribute towards job creation, vocational training and income generation for disadvantaged groups and others at “the bottom of the pyramid”. This practice will also help ensure more “self-reliance and away from the traditional ‘welfare’ approach to development which has been the dominant approach to community development programmes implemented by a number of NGOs in Cambodia” (Cooperation Committee for Cambodia, 2010).

### 3.3 Conceptualisation and Theoretical Framework

This section consists of two related discussions on the concepts and related theoretical literature. Key concepts of NGO and its related subgroups INGO and LNGO are discussed and operationalised, followed by the discussion on the theoretical literature on resource dependence and resource mobilisation strategies.

#### 3.3.1 INGOs and LNGOs

The terms NGO, INGO, and LNGO are the three most common terms used in this article. There are various forms of organisations or associations in the nonprofit sector and each of these organisations has diverse definitions. In this paper, two types of organisation are used as units of analysis: INGOs and LNGOs. Analysis and presentation of the findings are mainly based on the differentiation between these two types of organisations.

According to a useful distinction from Ishkanian (2010) and Anheier and Toepler (2009), *non-governmental organisations* (NGO) commonly refer to civil society organisations in developing and transition countries and international development work. The term *nonprofit organisation* (NPO) is common in the United States, while *voluntary* or *charity organisation* is common in the United Kingdom. NGOs' link to international development is perhaps due to the United Nations' differentiation between "the roles of state and non-state actors" (Anheier & Toepler, 2009, p. 858).

In Cambodia, a draft law on Associations and NGOs defines *local nongovernment organisations* (LNGOs) as "a group of Cambodian natural persons who agree to establish to serve public interests without conducting any activity to generate profits for sharing among their members" while *international nongovernment organisations* (INGOs) are "a group of foreign natural persons in foreign countries which are established under foreign laws and undertake activities to serve public interests in the Kingdom of Cambodia without conducting any activity to generate profits for sharing among their members" (The Royal Government of Cambodia, 2011, p. 2).

Key aspects, such as funding sources and office locations help differentiate the relevant conceptualisation and relation between INGOs and LNGOs. The former are NGOs that source their funding from multiple developed countries to channel to or implement various types of service provision activities in developing countries (Anheier & Toepler, 2009). INGOs may

have organisations like LNGOs or Community-Based Organisations (CBOs) as local partners in project implementation and, thereby INGOs fund the latter organisations either directly or indirectly. The latter are NGOs whose offices are in the host countries in the South and receive much of their financial and technical supports from foreign sources, including but not limited to INGOs.

In general, it is fair to suggest that the establishment of NGOs in Cambodia was a response to available donor funding or foreign initiatives in the early 1990s rather than based on real needs of communities and therefore many of them did not evolve from people's organisation per se (Mansfield & MacLeod, 2002; O'Leary, 2006). Some LNGOs were former programmes of international NGOs and founded by their parent INGOs as local organisations (e.g. Cambodia Health Education Media Service, founded by Health Unlimited) or the result of the localisation process (e.g. Life with Dignity, localised from Lutheran World Federation). However, many of LNGOs were founded by local Cambodians and Cambodian returnees (e.g. from France or the United States) to provide basic social services, such as education, vocational training, health and agriculture. In some cases, the motivation is less about helping the country at large than about the founders generating employment through donor funding (O'Leary, 2006).

While some have disappeared, overall, the number of NGOs in Cambodia has risen over the years. NGO statistics remained a key issue until 2011 when an NGO census was conducted by the umbrella NGO "Cooperation Committee for Cambodia" (CCC). The latest figure in 2011 shows that there are over 500 INGOs and 800 LNGOs that are currently active. The relations between INGOs and LNGOs are of interest here because of the dependence of both types of organisation on each other. For example, INGOs are dependent on LNGOs as their local partners with local knowledge and human resources to (co-)implement their programme. Conversely, LNGOs are dependent on INGOs' financial and technical assistance as well as technological support for their operation and programme implementation.

### **3.3.2 Resource Dependence and Mobilisation Strategies**

NGOs require various types of resources to survive, which is why the organisations' managers' ability to acquire and sustain resources is critical to their existence (Pfeffer & Salancik, 2003). Likewise, NGOs are both interdependent and dependent on external organisations for resources and when the external organisations face difficulties, such as



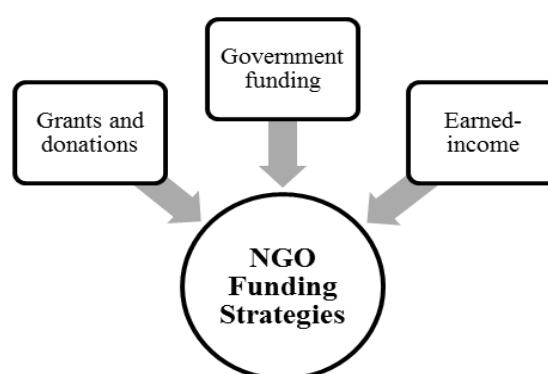
economic downturn or changing strategic priority, the NGOs' survival is problematic. Even with assurance of resource availability, NGOs face issues of resource dependence, including compromised organisational control, legitimacy and autonomy (Mitchell, 2012; Pfeffer & Salancik, 2003), accountability, integrity as well as “the feeling of insecurity among the staff of an NGO” (Antrobus, 1987, p. 99).

Without diverse funding sources, NGOs could look for prospects of collaboration and donations (Suárez & Hwang, 2012). NGOs employ different strategies to diversify their funding sources in order to avoid becoming too dependent on any single source. This way, NGOs may be able to minimise the resource insecurity, external control and loss of autonomy and consequently lessen upward accountability to donors. Still, NGOs' diversification strategies with restricted resources can instead make the organisations even less autonomous (Mitchell, 2012).

NPOs use three main resource mobilisation strategies: private contributions, government funding, and earned-income activities (Figure 3.1) (Froelich, 1999; Viravaidya & Hayssen, 2001). Froelich, an expert on NPOs' resource strategies, analyses characteristics and impacts of each strategy in terms of their goals, process and structure, each of which is discussed and operationalised in turn.

First, private contributions include mainly donations from either individuals or corporations and grants from foundations—the traditional and dominant forms of funding in the nonprofit sector. From Froelich's research, it is clear that contributions from donations and grants provide both support and legitimacy for organisations. However, such sources of funding, especially grants from foundations, are commonly beset with constraints. Funding is usually unpredictable and unstable and comes with sets of conditions (or *strings*) that can negatively affect a beneficiary organisation's goals and missions. Some organisations have to adjust or modify their goals or

**Figure 3.1: Three Types of Funding Strategy**



(Source: adapted from Froelich, 1999; Viravaidya & Hayssen, 2001)

programme priorities to fit or satisfy the requirements of funding agencies or individual donors, a *goal displacement effect*. Private contributions are also associated with structural change and process effects on NPOs; “over time, professionalised form of administration emerged and nonprofit organisations have increasingly come to resemble for-profit corporations” (Kelly, 1998; Peterson, 1998; Useem, 1997 cited in Froelich 1999:253).

Government funding is another source of funding for NPOs. In this study, the operational definition of government funding is Cambodia’s national budget allocation or development assistance from multilateral and bilateral donors, which is channelled through government ministries or sub-national government to NGOs. Unlike grants and donations, government funding is more limited, especially in developing countries where public institutions are usually under-financed and moderately to largely dependent on foreign aid. Despite low volatility, government funding is no exception when it comes to goal displacement, changes in internal process and structure of nonprofit recipients albeit to a lesser extent. Froelich describes this dynamic as “government-driven professionalization, bureaucratisation, and loss of administrative autonomy” of NPOs (Froelich, 1999, p. 256).

The third type of funding source involves income generation or *earned-income* activities. This strategy can be traced back to the early 1900s, but, increasingly, NPOs now partly or even fully depend on one or more types of income-generating activity from the sales of goods and services as they try to diversify their sources of funding. These organisations are sometimes referred to as social enterprises. Others develop hybrid forms, blending traditional nonprofit features with some aspects of commercial venture, resulting in a whole range of organisations. The practice is controversial due to the traditional concept that organisations should have a “pure nonprofit” status, with some arguing that it can lead to potential loss of values that are unique to the nonprofit sector.

Results from Froelich’s research show that commercial activities have moderate volatility, which is partly due to the possible failure of the venture. On the positive side, such self-financing activities not only minimise the likelihood of goal displacement but also promote organisations’ flexibility and autonomy vis-à-vis the other two forms of funding strategies. The author suggests that “calls of alarm over commercial strategies seem exaggerated” because all forms of funding strategies do come with side-effects (Froelich, 1999, p. 261).

To summarise, it is reasonable to claim that the different strategies of mobilising funding sources have their own benefits and potential (unintended) negative impacts. The expectation that there is always a flow of unconditional funds for social missions has never been a reality (Froelich, 1999). Instead, a variety of sources of funding is available and it is the skills and decisions of NPO leaders to mobilise and balance the opportunity and trade-off of each strategy. Using Froelich's (1999) revenue strategy framework, the survey aims to investigate NGOs' three major funding sources—grants and donations, government funding, and earned income—and analyse past and future trends of the funding mobilisation strategies, using Cambodia as a sample case study.

### **3.4 Data and Research Methodology**

This paper is based on the analysis of two NGO survey databases in Cambodia. The first and primary database is the empirical work conducted in late 2011 by the author, mainly to map resource mobilisation strategies among NGOs in Cambodia. The second one is a secondary database from an NGO survey in 2006, which serves as a baseline in analysing NGO funding trend. Details about each set of data are presented in turn.

#### **3.4.1 Primary Database**

The first data source on which this paper is based has been generated by a large-scale survey among NGO leaders in Cambodia. First, two stakeholder consultation workshops with civil society organisation leaders, development practitioners and academic and development researchers were held in March and October 2011 in Phnom Penh, the capital city of Cambodia, to generate topics of the survey.

In the second stage of the research, the quantitative survey employed mainly face-to-face structured interviews. The survey questionnaire was developed based on results from a literature review and the proceedings from the stakeholder workshops, and by adapting some questions from two relevant NGO surveys. The questionnaire was pre-tested in both online and face-to-face interviews with NGOs leaders, and revised to improve accordingly. It contains 43 questions, mostly with multiple-choice answers designed to map NGOs' resource mobilisation strategies including the following: annual budget, funding sources and share, trends of funding, main sectors and location of their programmes, beneficiaries, and determinants of the programmes.

The survey was conducted in five regions across Cambodia: Phnom Penh, Siem Reap, Battambang, Kandal and Kampong Cham. Table 3.1 summarises the regions, the number and other key characteristics of the NGOs that participated. The choices of the regional coverage were mainly based on two main premises: 1) in these five regions, Cambodian NGOs are the most active, as defined by their numbers in the regions, with the combined population that represents about 80% of total NGOs in Cambodia; and 2) the focus on the quality of the survey with in-person interviews and limited time and resource available to conduct the field work. The majority of participating NGOs were based in Phnom Penh. Data collection fieldwork was carried out between November 2011 and January 2012 by a team of 16 research assistants (12 interviewers and 4 field supervisors).

Sample NGOs were selected for structured interviews using stratified sampling: 668 organisations (60% of total NGOs) were drawn randomly from each of the five provinces proportional to the NGO population in that province; a 45% participation rate resulted in 312 NGOs, 223 of which are LNGOs.<sup>1</sup> These participating NGOs represent about 22% of all NGOs in Cambodia (N=1409).<sup>2</sup> The sampling frame where the sample NGOs were drawn was established by combing all the major lists of NGOs available, including the three largest umbrella organisations Cambodia Cooperation Committee (CCC), NGO Forum on Cambodia, Medicam, and government institutions, namely the Council for Development of Cambodia (CDC) and Ministry of Foreign Affairs and International Cooperation (MFAIC)<sup>3</sup>.

### **3.4.2 Secondary Database**

A secondary database from the NGO survey conducted in 2006 (Council for the Development of Cambodia, 2006) is used as a baseline to trace trends of NGO funding sources between 2006 and 2011. This survey was the collaborative effort of the Council for Development of Cambodia, the Department for International Development (DFID) and the Danish International Development Agency (DANIDA). It is a nationally representative survey of 185 NGOs across Cambodia and aimed to map NGO presence, status, and sources of funding.

### **3.4.3 Characteristics of the Sample NGOs**

Table 3.1 demonstrates some key characteristics, such as main sectors and annual budget of the NGOs participating in the survey (first database). NGOs mainly engage in education and vocational training (20%), health and water (17%), community development (14%) and agriculture and environment (11%). The sector labelled “democracy, right-based and

advocacy”<sup>4</sup> encompasses the four subsectors “child welfare and rights”, “gender and women issues”, “advocacy and policy dialogue” and “democracy and human rights”, and constitutes the largest percentage (21%) of NGOs’ main activities. Other sectors of NGOs’ activities include organisational building (providing grants to NGOs/CBOs), landmine clearance, disability and rehabilitation, tourism, arts and culture and religion. Many NGOs implement projects in multiple sectors, signifying the diverse activities in which an NGO may be involved.

**Table 3.1: Main Characteristics of the Participating NGOs**

<b>Sample characteristics (n=312)</b>	<b>Frequency</b>	<b>Percent</b>
<b>Main sector</b>		
Democracy, rights-based and advocacy	277	21
Education and training	275	20
Health and water	227	17
Community development	192	14
Agriculture and environment	149	11
Others	96	7
Providing grants to NGOs/CBOs	55	4
Landmine, disability and rehabilitation	29	2
Tourism, arts and culture	23	2
Religion/faith-based	19	1
<i>Total</i>	<i>1,342</i>	<i>100</i>
<b>NGO Size (US\$)</b>		
≤ 10,000	28	9
10,001-100,000	83	26
100,001-200,000	44	14
200,001-300,000	30	10
300,001-400,000	15	5
400,001-500,000	18	6
500,001-10,00,000	31	10
1,000,001 and over	34	11
N/A	29	9
<i>Total</i>	<i>312</i>	<i>100</i>
<b>Geographic distribution</b>		
Phnom Penh	208	67
Siem Reap	38	12
Battambang	36	12
Kandal	16	5
Kampong Cham	14	4
<i>Total</i>	<i>312</i>	<i>100</i>
<b>NGO Status</b>		
LNGOs	223	71
INGOs	89	29
<i>Total</i>	<i>312</i>	<i>100</i>

(Source: author’s own database)

Financial data is used as a generic indicator of NGO size. More than half of all the NGOs in the survey operate on an average annual budget of US\$300,000 or less, with the biggest percentage of NGOs (26%) in the category of US\$10,001–100,000. Contrasting INGOs with LNGOs, a major group of INGOs (23%) have an annual budget of at least US\$1 million while the biggest percentage of LNGOs' budget (31%) remains between US\$10,001–100,000. This implies that sizes of LNGOs and INGOs vary greatly: LNGOs are much smaller than their peer INGOs (Table 3.2).

**Table 3.2: Differences in Average Annual Budget between LNGOs and INGOs (US\$)**

Average annual budget	Percentage		
	LNGOs	INGOs	Total
≤ 10,000	12	1	9
10,001–100,000	31	15	26
100,001–200,000	12	20	14
200,001–300,000	10	7	10
300,001–400,000	6	2	5
400,001–500,000	5	7	6
500,001–1,000,000	9	13	10
1,000,001+	6	23	11
N/A	8	13	9
Total	100	100	100

### 3.5 Key Findings

Overall, the findings indicate that most NGOs in Cambodia are still very much dependent on external funding (grants and donations) from abroad. Seventy-five percent of NGOs surveyed report grants and donations as their main source of funding, compared to 21% whose fund is from earned-income activities, with government funding limited to a mere 4%. When investigated more closely, the data reveals marked contrasts in the percentage of funding sources reported by local and international NGOs. There are almost twice as many as INGOs that generate their own income. However, there are more INGOs than LNGOs that receive grants and donations (80%) and government funding (6%) (Table 3.3).

**Table 3.3: Percentage Shares of NGO Funding Sources by NGO Status (n=312)**

Funding sources	NGO Status		
	LNGOs	INGOs	Total
Grants and donations	73.2%	79.8%	75.0%
Earned income	24.0%	13.8%	21.2%
Government funding	2.8%	6.4%	3.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The diversity between NGOs' funding sources is another aspect of the variation between local and international organisations. Close to 30% of LNGOs receive funding from two sources compared to about 22% of INGOs (Table 3.4). However, a nonparametric equality-of-medians test shows that the average number of sources does not significantly differ between LNGOs and INGOs (See Appendix I for a detailed result of the test). In the sections below, I will discuss the different types of funding sources in order of their frequency—grants and donations, earned income, and government funding.

**Table 3.4: Differences between Numbers of Funding Source by NGO Type**

Number of sources	NGO Status				Total
	LNGOs	Percentage	INGOs	Percentage	
1	158	71.2%	69	77.5%	227
2	63	28.4%	20	22.5%	83
3	1	0.5%	0	0.0%	1
<b>Total</b>	<b>222</b>	<b>100.0%</b>	<b>89</b>	<b>100.0%</b>	<b>311</b>

### 3.5.1 Grants and Donations

Funding from abroad, whether from individuals or institutions, is still the major source of income for NGOs operating in Cambodia, reported by 75% of all NGOs in the study. The most common forms of such funding are private donations, UN Agencies and other international organisations. Foundations and charitable trusts, corporate sponsorships, contributions from community members, Christian churches, membership fees and foreign governments constitute other sources of income. While income from institutional donations shows a downward trend, resulting from the global economic crisis, and an overall shift in development priority and strategy, some local development NGOs reported increase in private donations from individual donors and international volunteers. A few NGOs have developed innovative sponsorship programmes where individual donors can sponsor an English class or support a business start-up or expansion of a poor family's business. Table 3.5 lists major and specific donors as examples in this category.

**Table 3.5: Main Types of Grants and Donations**

Main categories	Examples of specific donors
INGOs	ForumSyd, IWDA, CIDSE <sup>5</sup>
Foreign governments	UK and US embassies, DANIDA, EU, France, Netherlands
Inter-government agencies	UNDP, UNIDO, UNICEF, WFP, IFAD, ADB, World Bank
Foundations and charitable trust	Rotary clubs, Skoll Foundation, charitable trust in the UK
Christian churches	Donations from churches in New Zealand, Singapore
Individual donations	Fund raising concerts, gala dinners, private donations from locals and international donors
Corporate sponsorship and donations	Sneider Electric (France), G Adventure (Australia), ANZ Royal Bank, Mobitel telecom, sabay.com.kh
LNGOs	Cambodian NGO Capacity Building Network, Star Kampuchea
Community contributions	Parents' contributions to school materials
Membership fees	Membership fees from NGOs and staff

Comparatively, INGOs receive 7% more of funding share from grants and donations (80% of total fund) than their peer LNGOs (73% of total funding). The international network, publicity and longevity of Western NGOs are some of the factors that enable them to mobilise more resources from this source of funding. Conversely, many of the LNGOs are not as well established and their managers have limited skills in English and proposal writing. LNGOs also lack access to information about calls for grant proposals and related international funding opportunities.

However, a few exceptions signify perhaps the beginning of a shift toward more local funding. LNGOs are able to mobilise sponsorship and donations from private companies and local people at fund raising events such as concerts or gala dinners. Donations and sponsorship from the private sector in Cambodia is generally still very limited due to several major constraints. Qualitative data reveals a common perception of NGO directors regarding the lack of a philanthropic culture in Cambodia. This is particularly true for bigger corporations and businesses that are viewed as purely profit-oriented and unlikely to help unless it suits their business interests. Moreover, the fact that local business elites like tycoons or *oknha* (Cambodia's royal title given to individuals who donate US\$100,000 or more to charity) in Cambodia are usually strongly affiliated to a political party is another constraint. Other issues inhibiting NGO-private sector partnerships are associated with the lack of common vision and trust, loss of control and ownership of a programme, lack of information about potential opportunities and business network, and lack of legal incentives that promote charitable donations.



### 3.5.2 Earned Income

The second most important funding source for NGOs is income that these organisations earn through the sales of goods and services that indirectly or directly support target beneficiaries. One-fifth of the NGOs surveyed report receiving such income, which, though still relatively low compared to grants and donations, is increasingly more significant. Earned-income activities are twice as prevalent among LNGOs as INGOs. Specifically, about a quarter of LNGOs report receiving funding from this source compared to only 14% of INGOs.

To generate income or subsidise operational costs, NGOs engage in a variety of activities, most of which fall under tourism and hospitality, agriculture and fishery, publication and the media, training courses, and microcredit. Table 3.6 provides examples of activities in which NGOs engage in to generate income.

**Table 3.6: Types of Earned-income Activities**

Main categories	Examples of specific activities
Tourism and hospitality	Handicraft and souvenir shops, coffee shops and restaurants, hotels, performing arts (traditional dance, orchestra and circus), visual art galleries
Education and vocational training	School fees, fees from English and computer training courses, subject
Publications and media	Sales of NGO reports, books, magazines, t-shirts, DVDs, radio spots
Agriculture and fishery	Rice farmer cooperatives, rice farms, organic and fair trade produce, poultry and domestic animals farms, fish farming
Consultancy	Bidding for government projects, research and training consultancies
Volunteer	Fees and contributions from international volunteers
Microcredit	Rice bank, micro and group loan, self-help and saving groups
Health	Fees from clinics, family planning, medical consultancy, and medical
Others	Data processing, construction, electronic equipment maintenance and repair, IT solution, wheelchair sales, legal consultancy, event organising,

Besides these, NGOs generate income from volunteer fees, consultancy, project bidding, retail sales and service provision. Income earned through these activities adds up to 50% or more of some NGOs' total funding, providing sustainable resources for their social programmes. For organisations like DDD (data processing services), Phare Ponleu Selpak (performing arts), Buddhism for Social Development Action (restaurants and handicrafts), Youth with Disabilities Foundation for Education and Employment (handicrafts and farming) and Mith Samlanh (restaurants and handicrafts), earned-income activities are critical not only

for their financial survival but also for their independence, community ownership and programme sustainability. Moreover, they produce longer-lasting benefits for programme beneficiaries because of the skills they learn and small businesses they establish with the financial and technical assistance of NGOs.

### **3.5.3 Government Funding**

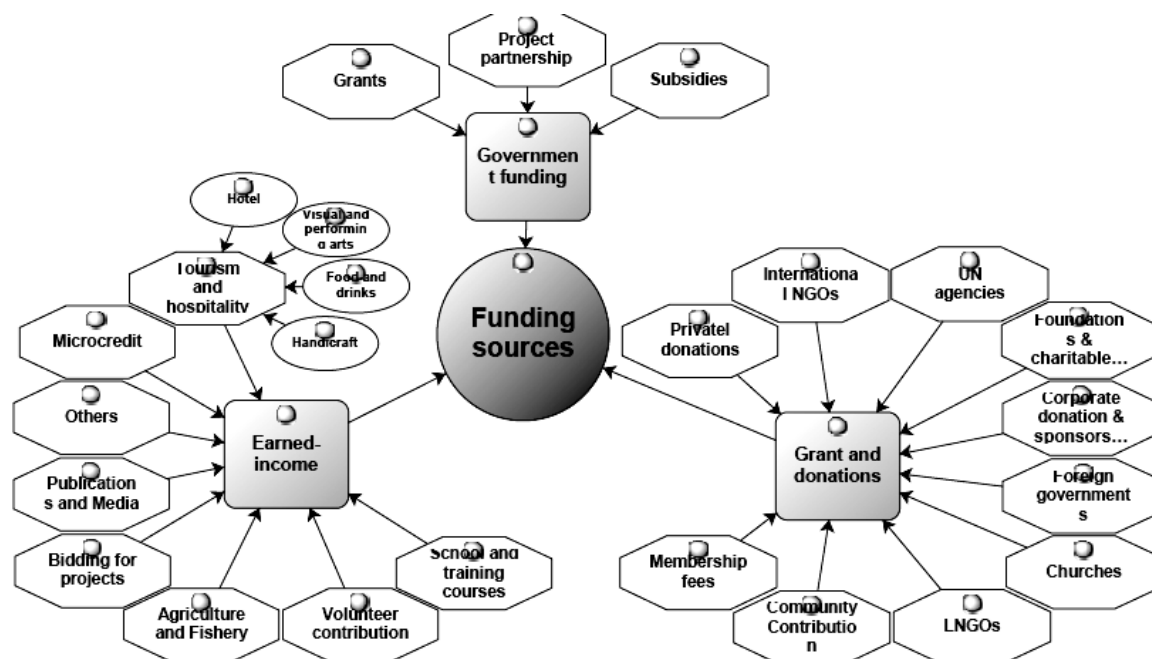
In this paper, government funding refers to any financial support, tax exemption and related subsidies provided by the Cambodian government to NGOs. Government funding and support of NGOs remains very limited, which is not surprising given that government institutions themselves are poorly funded. A small percentage of NGOs (4%) reports receiving *direct* government funding. INGOs' share of such funding is higher than LNGOs'. More often than not, INGOs establish a Memorandum of Understanding (MOU) that specifies detailed collaboration (either technical, financial or both) with government institutions (usually at a ministerial level) that share common goals with the NGOs' sectoral programmes. Such a formal type of arrangement (i.e. an MOU) allows INGOs to receive special treatment from the government, including possible salary tax exemption for their expatriate employees and import tax exemption for imported goods (e.g. equipment and vehicles). This may contribute to the higher percentage of reported share of government support by INGOs.

However, most of government funding and support (particularly to LNGOs) is through project partnerships where the government receives grants from foreign development partners, the terms of which require the government to collaborate with local NGOs to implement the programme. For instance, CCCA has its own trust fund coordinated by UNDP and solicits proposals from local NGOs (e.g. SCW) to work closely with the government to help Cambodia adapt to climate change. Another example is the National Child Protection Programme funded by UNICEF through the Ministry of Social Affairs, Veterans and Youth Rehabilitation (MoSVY) and implemented by Mith Samlanh, a local NGO working with disadvantaged youths, and other local organisations.

This again reflects the funding challenges raised by local NGO directors about how donors now provide more funding through government institutions to help build the capacity of civil servants and strengthen public institutions and less directly to NGOs. Further, there is

currently no formal mechanism for the government to provide grants directly for NGOs working to provide important social services or advocating democracy and human rights. Figure 3.2 summarises the three major sources and sub categories of NGO funding described thus far in the section.

**Figure 3.2: Mapping NGO Funding Diversification Strategies**



(Source: author's database)

### 3.5.4 10-Year Trends of NGO Funding between 2006–2016

NGO funding has gradually begun to diversify. Parks (2008) argues that NGOs in Cambodia started diversifying in the early 2000s when donor funding from abroad started to fall. To illustrate the change in funding mobilisation, it is important to trace the development that NGOs have experienced in the past and to forecast the future. This section presents expected trends of NGO funding based on results from analysing the data of the current study and previous NGO study on “Mapping Survey on NGO Presence and Activity in Cambodia” (Council for the Development of Cambodia, 2006) as a baseline.<sup>6</sup>

Tracking trends of NGO funding by comparing the current data with the 2006 survey data shows that the share of grants and donations have significantly declined over the five-year period 2006–2011. The percentage of NGOs receiving such funding decreased by 17%—from 92% in 2006 to 75% in 2011. NGOs reporting generating their own income,

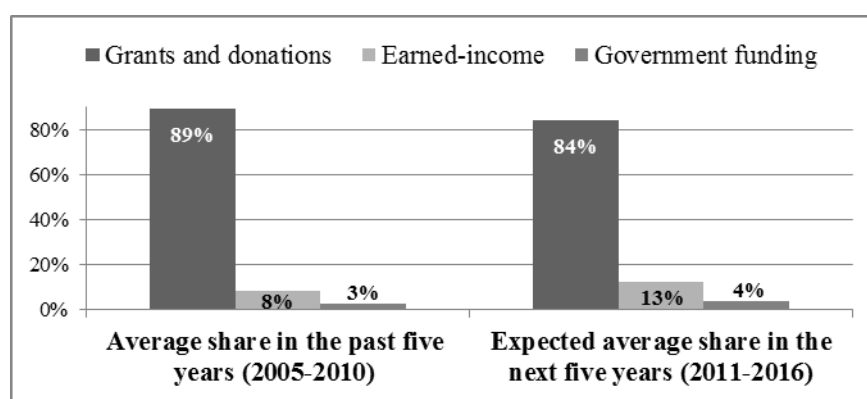
however, have increased by 15% over the same period. The number of NGOs that received funding from the government did not change much, gaining a mere 1.4% over the five-year period. Table 3.7 summarises the trends of NGO funding sources between 2006 and 2011.

**Table 3.7: Trends of NGO Funding Shares, 2006–2011**

<b>Funding sources</b>	<b>2006 Survey (n=185)</b>	<b>2011 Survey (n=312)</b>	<b>Difference</b>
Grants and donations	91,6%	75,0%	<b>-16,6%</b>
Earned-income	6,0%	21,2%	15,2%
Government funding	2,4%	3,8%	1,4%

Using the 2011 survey data, further analysis was completed to find out the actual percentage share of amount of NGO funding. NGO respondents were asked to recall and project the average share of each funding source for the last five years (2005–2010) and the next five years (2011–2016) respectively. The share of total NGO funding shows a similar trend to NGOs reporting their main sources of funding, with grants and donations expected to decrease from 89% to about 85% of total funding (Figure 3.3). Income generated by NGOs themselves is expected to increase by 5% while government funding is going to remain somewhat the same.

**Figure 3.3: Trends of NGO Funding Shares, 2005–2016**



(Source: author's database)

### 3.6 Discussion

Empirical data from this study clearly show that grants and donations are vital sources of funding for NGOs' operation and survival, and are likely to remain so. Nevertheless, the proportion of such funding compared to total funding will likely decline due to some unrelated global events such as the economic crisis, natural disasters, and armed conflicts in the Middle East. Meanwhile, there will also be more organisations, particularly LNGOs,

which generate their own income by either introducing subsidised fees or costs of their products and services. The prospect is that funding from earned-income will, one way or another, compensate the decrease in foreign donations and will continue to grow to become even more significant as NGO directors learn of potential benefits from and are inspired by successful experiences of social entrepreneurial NGOs, such as DDD, Mith Samlanh, MKP, BSDA and their earned-income activities.<sup>7</sup> Even though other locally available funding sources such as partnership with and sponsorship by local businesses are limited, they will likely grow along with the growth of social businesses and other for-profit firms that integrate corporate social responsibility (CSR) programmes into their marketing strategy.

The shift of more foreign aid toward the government implies that less funding is available for NGOs. However, LNGOs in particular could slowly receive more funding and support from the government because of the following factors: (1) the government will be better financed by their own revenues such as through improved tax collection and natural resource revenues; (2) international ODA, especially bilateral and strategic aid, will increasingly flow to government institutions; and (3) sub-national government institutions will be allocated a higher share of the national budget such as through the Commune/Sangkat Fund (CSF)<sup>8</sup> as the government implements decentralisation and deconcentration (D&D) reforms with more transparency and less corruption. These trends are supported by the data from this study and the 2006 NGO survey (Council for the Development of Cambodia, 2006), but the actual percentage share will likely remain low vis-à-vis funding from grants and donations and earned-income.

The challenges for the majority of NGOs in Cambodia in mobilising funding are rather diverse. ODA and bilateral aid are now strategic and are redirected to support the government in building stronger institutions and better governance. The impacts of (changing and differing) development priorities of donor communities and countries are further escalated by the global financial crises. The competition of NGOs for resources may also create barriers to the cooperation among the NPOs, particularly between INGOs and LNGOs. On the one hand, they are competing for funding from possibly similar sources. On the other hand, LNGOs are dependent on their peer INGOs as donors and technical advisors to realise their mission. In this situation, LNGOs may turn to cooperate more with firms in the private sector to seek sponsorship and donations.

The findings from this study support the existing literature emphasising the need for NGOs to become more self-sufficient and maintain their autonomy as well as their social mission. This study also supports existing theory with regard to the very dependence of LNGOs on their foreign donors and INGOs for the majority of funding. However, this study extends beyond the literature by revealing the increasing efforts of LNGO leaders in diversifying, especially through engaging in earned-income activities to maximise their independence, autonomy, sustainability and possibly their programme efficiency. At the same time, the fact that a large number of NGOs are successful in mobilising locally available resources through earned-income activities contradicts the previous literature (Parks, 2008) that claims local funding opportunities for NGOs are absent.

Contributions and implications from this study extend beyond Cambodia as many NPOs in Southeast Asia have either experienced or are experiencing and struggling to address similar funding challenges. Scholars and NGO leaders engaging in civil society sector can benefit from comparative case studies and lessons learnt from countries across the region so that their research can have wider impacts and NGO leaders learn the key lessons of success and failure along with critical ethical issues to be considered regarding resource mobilisation and diversification. This study contributes to opening up the field of NPO research in Cambodia and the region where scholars can further investigate a particular funding strategy and its potential impacts.

The findings also have important policy implications for Cambodia as the government has introduced a controversial draft law on NGOs and associations that will regulate LNGOs, INGOs and other NPOs. The first implication is related to the prevalence of commercial activities and NGO directors' expectations in securing even more funding share from such activities. In the current draft law, there is no specific clause that defines "commercial activities" of NGOs and its statement on "without conducting any activity to generate profits for sharing among their members" is vague. The second implication relates to the results of the survey that demonstrate that private donations to charity in Cambodia by both individual citizens and corporations are minimal. Current law stipulates that "a deduction shall be allowed for charitable contributions to an organisation as provided in article nine of this law. But it shall not exceed 5% of taxable profit determined before taking the charitable contribution deduction" (The Royal Government of Cambodia, 1997, p. 8). Increasing this deductible percentage to a

higher amount may lead to increased donations to charity.<sup>9</sup> Also, improved regulatory frameworks on NGOs will facilitate the operation of the sector (Simon, 2006).

### **3.7 Conclusion**

In the face of reduced donations from abroad and limited local sources of funding, such as corporate donations and sponsorship, LNGOs in Cambodia are left trying to cope with many challenges to mobilise adequate financial resources and volunteer contributions. Beyond resource challenges, they are also struggling to (re)gain organisational autonomy and ownership of their development programme from their patrons and institutional donors. More and more NGOs are exploring and adopting different models and approaches that could help sustain their programmes, which is as important as sustaining their operation.

As NGOs diversify their resource mobilisation strategies, NGO leaders must find a balance between potential benefits and effects of different strategies. Major effects include mission drift, crowding out alternative sources of income, compromising organisational autonomy and programme flexibility, and marginalising persons who cannot afford to pay service fees (Cooley & Ron, 2002; Fischer et al., 2011; Froelich, 1999; Mitchell, 2012; Weisbrod, 2000, 2011). These effects on NGOs vary according to the level of dependence on each funding source, organisational types, sectors in which they engage and the skills of the NGO leaders in managing the effects. Smaller, grass-roots and community-based organisations will generally experience more effects compared to bigger organisations, particularly INGOs that are based in Phnom Penh and have stronger networks and better access to funding opportunities.

Looking forward, the trends of funding sources diversification towards greater income shares earned from commercial activities and other locally available resources will exacerbate the social and ethical challenges facing NGO leaders and donors. Funding from such sources is more flexible and can enable NGO managers to align their programmes more closely to the needs of the communities and promote organisational autonomy, financial sustainability and self-reliance. More critically, such shifts could provide LNGOs with more legitimacy where LNGOs now can better represent the interest of their beneficiaries since they now can better respond to the needs of those beneficiaries as results of (unrestricted) self-generated income. At the same time, LNGOs' poor management and governance

structure could potentially facilitate *elite capture* by officers in power, resulting in misuse and illegal appropriation of important and scant resources supposed to provide vital social services to disadvantaged groups and to lift communities out of poverty. This particular funding strategy is particularly associated with the risks and potential negative effects mentioned earlier in the preceding paragraph.

The roles of LNGOs will probably change according to the shift of donor priorities and less funding available. As state capacity is strengthened through various reforms, local development NGOs that engage directly in community development providing basic social services will see decreased roles. Conversely, those organisations (including INGOs) that work at the national level and are involved in influencing policy development, advocacy and human rights will likely play more critical roles, especially in the face of serious human rights violation and limited freedom of expression and the international donors' attention on such issues.

This survey serves as baseline data given previous empirical research thoroughly investigating the funding sources of NGOs in Cambodia is not available. Due to time and budget constraints, the design is to gain an insight into the overall state of affairs of NGOs as represented by regions that most NGOs are operating. However, this also means the results of the survey might not reflect a complete picture of the whole NGO population in Cambodia. For instance, the funding constraints and trends of the organisations in less NGO-populated and more rural regions of the country could be less challenging due to lower competition.

Further research is needed to provide more in-depth empirical information on the effects of NGOs' different choices in diversifying sources of funding. In addition, further research would bring more contributions by further extending resource mobilisation beyond financial resources. A longitudinal study or simply a replication of this survey with the same NGOs after an interval of three to five years would more accurately trace changes, transformations, and impacts on NGOs during this process of resource diversification. More detailed discussion of the effects and risks of various funding strategies, particularly on the commercial ventures of NGOs, is well worth further investigation. Qualitative research involving NGOs as specific case studies would provide a rich illustration and exemplify variations among different organisations in different sectors.



## Endnotes

1. The sampling design does not permit the findings to be representative of all the NGOs in Cambodia. However, it is still significant because the sample represents five largest regions in which NGOs are most active. NGOs in these five regions represent about 80% of all NGOs in the country.
2. The Latest NGO census, conducted with the Cooperation Committee of Cambodia (CCC) in tandem with this study, indicates that approximately 1350 NGOs are currently operating in Cambodia.
3. Lists from the Ministry of Interior were not included in the sampling frame because they were not updated. Also, many of the NGOs in the list lack details contact information such as email, phone or physical address.
4. Main sectors are the result of a recode of 20 types of activities in the survey questionnaire into meaningful synthesis. For example, *Democracy, right-based and advocacy* is a result of the recoding of (4) Child welfare and rights, (11) Gender and women issues, (1) Advocacy and policy dialogue, and (7) Democracy and human rights into one major sector. Details categories, which were adapted from CCC's standard categorical identification of civil society organisations, are listed below:

**Q 19. What are the main activities best describe your organization's programme? Please tick ALL that apply.**

Main areas of activities	Main areas of activities
<input type="checkbox"/> (1) Advocacy and Policy Dialogue	<input type="checkbox"/> (12) Health, Nutrition and HIV/AIDS
<input type="checkbox"/> (2) Agriculture/Animal Health	<input type="checkbox"/> (13) Humanitarian Aid, and Disaster Preparedness and Relief
<input type="checkbox"/> (3) Business/Organizational Development	<input type="checkbox"/> (14) Landmine/UXO Action/Awareness
<input type="checkbox"/> (4) Child Welfare and Rights	<input type="checkbox"/> (15) Providing grants to NGOs/CBOs
<input type="checkbox"/> (5) Community Development	<input type="checkbox"/> (16) Religion/Faith
<input type="checkbox"/> (6) Credit and Savings	<input type="checkbox"/> (17) Tourism, Arts and Culture
<input type="checkbox"/> (7) Democracy and Human Rights	<input type="checkbox"/> (18) Water and Sanitation
<input type="checkbox"/> (8) Disability and Rehabilitation	<input type="checkbox"/> (19) Research and consultancy
<input type="checkbox"/> (9) Education and Training	<input type="checkbox"/> (20) Other (please specify).....
<input type="checkbox"/> (10) Environment and Natural Resources	.....
<input type="checkbox"/> (11) Gender and women issues	<input type="checkbox"/> (21) No activity

5. Notes on acronyms: ForumSyd: a Swedish advocacy organisation; IWDA: International Women's Development Agency; CIDSE: Coopération Internationale pour le Développement et la Solidarité (International Cooperation for Development and Solidarity); DANIDA: Danish Development Assistance; UNIDO: United Nations Industrial Development Organisation; WFP: World Food Programme; IFAD: International Fund for Agricultural Development; ADB: Asian Development Bank.

6. This section discusses NGOs funding trends without differentiating between INGOs and LNGOs due to the nature of the secondary database that limits such detailed analysis.
7. Social entrepreneurship is a recent but increasingly popular approach to solving social and development issues among some NGOs in Cambodia. Most of the social enterprises are NGOs or former NGOs that try to self-finance by selling their goods and services. Their programmes usually benefit impoverished community members, and disadvantaged groups like women, disabled persons and drug users. The earned-income activities of these organisations could also have huge potentials to reduce dependence on foreign aid, gain organisational autonomy and programme sustainability.
8. Commune/Sangkat Fund (CSF) is a fund that is transferred from the Royal Cambodian Government to the Commune/Sangkat Councils. The Fund includes both tax revenues and development partner contributions. The Fund includes a “General Administration” component for administration of the C/S Council and a “Local Development” component for local development expenditures (National Committee for the Management of Decentralization & Deconcentration Reform, 2009).
9. For instance, Taiwan’s tax deductibility is allowed up to 10% for corporations and 20% for individuals, while China’s tax deduction limit is up to 3% for corporations and 30% for individuals (Simon, 2006).

## Appendix

A nonparametric equality-of-medians test\*

Greater than the median	Status		
	LNGOs	INGOs	Total
No	158	69	227
Yes	64	20	84
Total	222	89	311

Pearson chi2(1) = 1.3022 Pr = 0.255

Continuity corrected:

Pearson chi2(1) = 0.9998 Pr = 0.317

*\*The result of the median test above is also in line with a ttest of the average sources of NGOs and NGO types (LNGOs and INGOs).*

## Chapter 4:

### 4 Resource Dependence and Effects on NGOs in Cambodia<sup>7</sup>

#### Abstract

This article assesses how strategies applied by Cambodian NGOs to reduce their dependence on external resources affect the sustainability of their mission, program and funding. At the empirical level, the findings suggest that NGO dependence on foreign aid has mixed effects on the organizations such as unpredictability of funding, goal displacement, reduced organizational autonomy, and top-down accountability. Funding from commercial activities is more predictable and potentially promotes bottom-up accountability and increases organizational autonomy but may conflict with the mission-drift of NGOs. At the theoretical level, this article contributes to resource dependence theory (RDT) by introducing a perspective from developing countries, which implies large power differentials between international funding agencies and receiving local NGOs. The strategic responses employed by local NGO leaders to reduce external resource dependence entail a paradigm shift from external control to local embeddedness and increased autonomy. The findings have important policy implications regarding the regulation of NGO-related and unrelated business activities.

#### Key words

Resource dependence, funding effects, mission drift, autonomy, Cambodia

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<sup>7</sup> This article is co-authored by Khieng and Dahles and, as of January 2014 is under review at *VOLUNTAS: International Journal of Voluntary and Nonprofit Organisations*.

## 4.1 Introduction

“[Our NGO] only implements projects that donors are interested in funding,” reports a representative of a local nongovernmental organization (NGO) promoting health through media broadcasting in Phnom Penh (NGO7) (See Appendix for full list of all interviews underlying this article). This NGO depends almost entirely on grants from international NGOs (INGOs) and foundations to finance its projects. At times, the difficulties faced by this NGO in mobilizing funding threaten the organization’s survival. Recently, a local business tycoon, sensing an opportunity in their media broadcasting expertise, approached the organization to help them set up a commercial radio station. The NGO would play a key role in running the radio station and generating profit for both for the organization and this tycoon. However attractive financially, accepting this offer would imply that the NGO might drift away from its social mission and focus on profit making instead. With its survival at stake, the executive director has a tough decision to make. This case epitomizes issues experienced by about 1350 active NGOs in Cambodia, many of which are local organizations depending on foreign assistance for their survival. This article focuses on the challenges faced by Cambodian NGOs when mobilizing resources and investigates the effects of different resource mobilization strategies.

Understanding the effects of different funding mobilization options on the activities of NGOs is critical because of their key roles in Cambodia’s development. Over the past two decades NGOs have managed about 20% of the foreign assistance to Cambodia (Council for the Development of Cambodia, 2011). NGOs are the most prominent civil society group in Cambodia, a country which “never developed critical civil society beyond religious associations” (e.g. the Buddhist pagoda) (Peou, 2007, p. 129). At the same time, these NGOs are almost completely dependent on funding emanating from foreign sources and find their agendas defined by stakeholders outside Cambodia. This foreign-dominated process of development has caused concern among political analysts and scholars alike (Barnes, 2006; C. Hughes & Un, 2011; C. Hughes, 2003). The sector’s dependence on international donors has constrained its effectiveness in promoting good governance and “meaningful civic engagement and social accountability” (Malena et al., 2009, p. 8). As elsewhere, NGOs have been limited to carrying out largely service-oriented donor agendas and have not played a role in the public sphere as exponents of local civil society (see for example (Bebbington et al., 2008)).

The dependence of NGOs on international donor funding forms a recurring pattern that can also be found in other Asian countries like the Philippines and Thailand. NGOs and other civil society organizations in Asia enjoyed a peak period of donor funding in the 1990s (Parks, 2008) as donor countries were enthusiastic about supporting processes of democratization in Asian countries through the development of a strong civil society (Ottaway & Carothers, 2000). However, the funding of NGO-implemented development projects in the region by Western nations diminished and became less predictable in the aftermath of the Asian crisis in the late 1990s.

Cambodian NGOs in particular are facing two major interrelated issues: (1) an almost exclusive dependence on an - often foreign - single source of income and, (2) a lack of organizational autonomy in setting their own agenda and policy priorities. The shortcomings in the current literature on resource dependence and strategic responses is that it mainly focuses on either for-profit firms in general (Casciaro & Piskorski, 2005) or nonprofit organizations in developed countries, in particular in the Western world (Batley, 2011; Froelich, 1999; Mitchell, 2012). NGOs in developed countries receive funding from other Western sources, often located in their own country. NGOs in developing countries on the other hand receive funding from external sources, either Western or non-western, reflecting not only the dependence of these NGOs from external sources but also their country's dependence on foreign powers. The latest article on the funding diversification strategies of NGOs in Cambodia published in this journal (Khieng, 2013) falls short of addressing their effects on these NGOs in particular from the perspective of such power differentials. To fill this gap, this article will analyse the effects of strategic funding strategies in response to resource dependence among nonprofit organizations from a developing country perspective. The analysis of NGO dependence on external funding sources, the diversification strategies they use to reduce such dependence and the associated effects of funding strategies applied will offer a better understanding of development practices and contribute to the academic literature on resource dependence. The findings will also have policy implications, particularly for NGO leaders facing vital choices.

The remainder of this article is structured as follows: The next section discusses the establishment and development of local NGOs in Cambodia. Then, in subsequent sections, a review of the relevant literature on resource dependence will be offered culminating in an analytical framework, the methodology will be discussed and the empirical findings will be

presented. The article concludes with a discussion on the effects of different strategies, past and future trends as well as implications for the NGO sector in the regional context and key issues for further investigation.

## **4.2 NGOs in Cambodia**

Between 1975 and 1979, under the Khmer Rouge regime that caused the death of two million Cambodians due to atrocities, forced labour and starvation, international organizations operating in Cambodia were forced to close their offices and leave the country. Immediately after the collapse of the regime in 1979, several organizations such as UNICEF, World Food Program (WFP), the Food and Agriculture Organization (FAO) and the International Committee of the Red Cross and Oxfam, resumed operation in Cambodia with the immediate task to provide emergency relief assistance (Barton, 2001). By the early 1980s, about two dozen international organizations were in the country to support the rehabilitation process.

Bilateral aid, most of which originated from countries of the former Soviet Union, prevailed but dropped in the late 1980s with the end of the Cold War (Ear, 2012). A peace agreement for Cambodia's various factional groups was effectuated in 1991 as a result of international mediation. Two years later when the United Nations Transitional Authority in Cambodia (UNTAC) assisted the first democratic elections, billions of dollars of international assistance poured into the country. Some authors claim international aid or Official Development Assistance (ODA) for post-conflict Cambodia totalled about US\$7 billion between 1992 and 2007 (C. Hughes, 2009). This huge amount got economists concerned about the potential distortion of the economy and the government's ability to respond to economic problems (Godfrey et al., 2002).

The influx of foreign aid since the 1990s has brought many INGOs to Cambodia and generated an increase in the number of local NGOs (LNGOs) from less than 100 in 1991 to close to 1,000 a decade later (Council for the Development of Cambodia, 2006). In 2012 close to 1,400 active NGOs operated in Cambodia (Cooperation Committee for Cambodia, 2012). LNGOs have been involved in a wide range of sectors such as health and water sanitation, education, agriculture and advocacy. The boom in LNGOs was supported by UNTAC and INGOs promoting "democracy, human rights, poverty reduction and social development" (Malena et al., 2009, p. 8). However, the growth and consolidation of LNGOs in Cambodia has provoked comments pointing out that LNGO proliferation was more a

response to available donor funding or foreign initiatives than “a gradual opening up of democratic space, the natural scaling up of grassroots organizations, the emergence of a culture of volunteerism/social activism or the organized charity of an established middle class” (Malena et al., 2009, p. 8). As many LNGOs did not evolve from the bottom up, these organizations were not based on the real needs of communities (Mansfield & MacLeod, 2002; O’Leary, 2006). The more so as with the increasing dependence on ODA the process of development in Cambodia is dominated by foreign agencies acting on behalf but in fact beyond the control of local people (Hughes, 2004, p. 214). Kheang Un, a Cambodian political scientist, denotes this donor-driven nature of the NGO sector as a “civil society movement without citizens” (Un, 2004, p. 272).

The current funding availability for NGOs in Cambodia differs significantly from the heydays of Cambodia as a donor darling. Besides the economic downturn and political development in donor countries, other major challenges in resource mobilization include changing development priorities of donors, their demand for measurable impacts and funding for short-term projects instead of programs. These constraints are preceded by the donors’ concerns about the effectiveness and efficiency of NGO contributions to concrete institutional reforms and the strengthening of civil society. Fluctuations in NGO funding is associated with economic growth in the recipient countries as perceived by donor communities, which applies in particular to Cambodia (Parks, 2008). The nearly double-digit growth in gross-domestic product (GDP) for almost a decade (1998-2007) and the increase in income per capita from US\$310 to US\$550 during this period made Cambodia one of the world’s best performing economies (World Bank, 2009). As a consequence, some donors suggested that the needs in Cambodia and the region were not as acute as in other developing countries, in particular in Africa (Parks, 2008).

While the supply of donor funding is decreasing, the demand for such funding has been growing among Cambodian NGOs due to their sheer number. The competition for scant resources has resulted in the demise of a number of LNGOs while some INGOs have relocated out of Cambodia. As a recent NGO census (Cooperation Committee for Cambodia, 2012) reveals, only 1,350 out of the over 3,000 NGOs in official registration lists of the government agencies are still active.



The sources of revenue among NGOs in Cambodia have become more diverse over the last five years. The results from a recent survey among LNGOs reveal rather compelling evidence of funding diversification: the percentage of NGOs which reported generating revenue from self-financing activities rose from 6% in 2006 to 21% in 2011 (Khieng, 2013). In the same period, government support through grants and contracts increased slightly. The number of NGOs receiving external funding from overseas dropped by 16% in five years. As NGOs have become increasingly dependent on multiple funding sources, they are currently facing new challenges emerging from this diversification as will be discussed below. Before doing so, a review of relevant literature on resource dependence and its effects on NGOs is presented in the next section.

#### **4.3 Resource Dependence and Strategic Responses: A Literature Review**

Among the authors addressing resource dependence theory (RDT), the contribution by Jeffrey Pfeffer and Gerald Salancik (2003, 1978) and Karen Froelich (1999) stand out. Pfeffer and Salancik's approach offers a combined "account of power within organizations with a theory of how organizations seek to manage their environment" (Davis & Cobb, 2010, p. 22). Resources which NGOs are dependent on can be tangible or intangible assets that are used to plan and implement their strategies (Barney & Arikan, 2001). Those resources extend beyond funding to include human resources, technology, legitimacy and networks. Pfeffer and Salancik (1978) define *dependence* as "the product of the importance of a given input or output to the organization and the extent to which it is controlled by relatively few organizations" (p.237). There are three assumptions in RDT: (a) social context matters; (b) organizations develop strategies to retain their autonomy and goals; and (c) power is important for making sense of why organizations behave and act in certain ways (Davis & Cobb, 2010).

External environments matter because, according to Pfeffer and Salancik (2003), organizations depend on their external environments and, if those environments are not dependable (e.g. the resource is unstable), problems arise. Changes in the environments create a challenge for the survival of organizations or force them to adjust their activities. These responses also include seeking alternative sources of income. The extent to which organizations depend on a resource accounts for their vulnerability to external impacts that emanate from other actors in their environment.

Another key implication of RDT is that the more NGOs depend on other organizations, the more important the external organizations are to the operation and survival of NGOs. The more important these external organizations are to LNGOs, the more likely these organizations have a say in the LNGOs' affairs. Such external control potentially threatens the LNGO's independence, authenticity, and innovative potential. In addition, the shortage of resources results in NGOs competing for common resources (Hessels & Terjesen, 2010). They then face external control by other organizations coexisting in the shared environment, especially when they can no longer depend on this environment (Pfeffer & Salancik, 1978). However, Mitchell (2012) proposes that NGOs are important parts of the civil society sector and their autonomy vis-à-vis donor organizations is vital.

The RDT has proven to be a very useful instrument for understanding shifts in NGO funding strategies, but it alone is inadequate to explain "conditions under which NGOs surrender organizational control to donors" (Mitchell, 2012, p. 3). This shortfall may be due to its overemphasis of the roles of the external environment, its under-appreciation of NGO autonomy and the strategic capacity of NGOs in responding to their environment in the real world (Gerstbauer, 2010; Mitchell, 2012). To address resource dependence, recent research indicates that diversification is the most common strategic response among NGOs (Mitchell, 2012). Davis and Cobb (2010) revisiting RDT suggest that "if dependence comes from relying on a sole-source supplier, then an obvious solution is to find and maintain alternatives" (p.24).

Empirical evidence from a study of NGOs by Mitch (2012) proposes that there are three main strategic responses to resource dependence: *adaptation*, *avoidance* and *shaping* (Table 4.1). *Adaptation* involves specific strategies such as alignment, subcontracting or perseverance, whichever case would result in NGOs facing the greatest exposure to external control as the exclusive dependence on one source is enforced. NGOs adopting strategies for *avoidance*, which includes diversification of funding sources, funding liberation, geostrategic arbitrage, specialization and selectivity, are less subject to external control as the exclusive dependence on one source is alleviated. Donor education and compromise form strategies for *shaping*. This last group of strategic responses represents NGO bargaining power to reject or reverse external control.<sup>1</sup>

**Table 4.1: NGO Strategic Responses to Resource Dependence** (Source: adapted from Mitchell (2012) and Batley (2011))

Strategic responses	Descriptions
<b>Adaptation:</b>	
- Alignment	NGOs adjust programmes according to donor's requirements or preferences
- Subcontracting	NGOs chasing contracts by government agencies (contract-driven)
- Perseverance	NGOs adapt to local environment as temporary measures during difficult time (such as by borrowing and eliciting endowments and operating cash)
<b>Avoidance:</b>	
- Revenue diversification	NGOs secure funding from multiple sources to avoid dependence on any particular source. This includes commercialization, cost recovery scheme, <del>getting support from a large number of private individuals</del>
- Funding liberation	(Related to revenue diversification) NGOs secure a greater proportion of NGO funding from unrestricted source
- Geostrategic arbitrage	NGOs establish sister organizations or partner with local organizations to increase coverage of their funding raising activities
- Specialization	NGOs develop specific core competency in niche programme with higher demands from donors but low supply by NGOs
- Selectivity	NGOs only select specific projects that are (closely) aligned with their goals and mission (and reject those that are otherwise)
<b>Shaping:</b>	
- Donor education	NGOs try to get funding by educating donors about their unique advantages and capabilities so they can leverage donors' influence.
- Compromise	NGOs and donors agree to take a middle path and reach a consensus that consists of a synthesis of domains.

In Froelich's seminal work on funding strategies, the effects of each strategy are analysed in terms of three main categories of resource diversification strategies for non-profit organizations and NGOs, namely private contribution, government funding, and commercial activity (Froelich, 1999). In particular, the effects include revenue volatility, goal displacement effects, process effects, and structure effects (Table 4.2).

**Table 4.2: Main Types of Funding Strategy and Effects**

Effects	Grants and donations	Government funding	Earned-income
<b>Revenue volatility</b>	High	Low	Moderate
<b>Goal displacement effects</b>	Strong	Moderately strong	Weak
<b>Process effects</b>	Formalization	Formalization, standardization	Rationalization
<b>Structure effects</b>	Professionalized administration	Professionalized bureaucracy	Professionalized business forms

Source: (Froelich, 1999, p. 265)

According to Froelich, contributions from donations and grants (membership fees included), particularly foundation grants, are not only unpredictable and unstable but also come with sets of conditions (or ‘strings’) that can affect goals and missions of recipient NGOs. For instance, NGOs may have to adjust or align their goals or program priorities to meet the requirements of funding agencies or individual donors, a *goal displacement effect*. Support from institutional donors is associated with structural change and process effects on non-profit organizations, where “over time, professionalized form of administration emerged and non-profit organizations have increasingly come to resemble for-profit corporations” (Froelich, 1999, p. 253).

In diversifying their sources of revenue, NGOs mobilize funding from the government. Such funding may be more predictable and stable. However, there are potential negative effects such as compromising organizational autonomy and program flexibility (Cooley & Ron, 2002) as well as vulnerability to economic crisis (Feiock & Jang, 2009). If competing for government funding, NGOs have to adjust their goals to align with the requirements of grants and contracts. NGOs receiving funding from government may find their ability to influence policy making negatively affected as they may come to be viewed as “subordinate instruments” (Mitchell, 2012). Additionally, NGOs face potential change in their internal structure and management processes affecting their eligibility for other grants and donations. Froelich describes the ensuing dynamics as “government-driven professionalization, bureaucratization, and loss of administrative autonomy” of non-profit organizations (Froelich, 1999, p. 256).

Besides vying for government funding, NGOs are increasingly involved in different types of income earning activities (Froelich, 1999; P. Hughes & Luksetich, 2004; Khieng, 2013; Viravaidya & Hayssen, 2001; Weisbrod, 2000; Young & Salamon, 2002). Earned-income or commercial activities may involve “revenue-financed, cost-recovery, or fee-for-service programming within an NGO” (Mitchell, 2012, p. 12). According to Froelich, earned-income or commercial activities show moderate volatility, partly due to the possible failure of the venture. Such self-financing activities not only minimize the likelihood of goal displacement but also promote the organization’s flexibility and autonomy vis-à-vis the other two forms of funding strategies. Froelich (1999) rejects the “calls of alarm over commercial strategies” as exaggerated as each of the three funding strategies has its pros and cons (p. 261). The commercialization of services provides NGOs with less restraint revenues and

greater flexibility, thereby reducing NGOs' dependence on external sources and control. Yet, when NGOs are engaged in businesses that are not central or even related to their mission, they could face the issue of *mission-drift* (Mitchell, 2012).

Existing research on resource dependency and strategic responses is mainly based on data from for-profit firms (Casciaro & Piskorski, 2005; Dieleman & Boddewyn, 2012) or Western contexts (Froelich, 1999; Mitchell, 2012). First, strategic responses (buffering, merger, or acquisition) applied by private companies may not be applicable to the non-for-profit firms, simply because of their nonprofit legal status and the lack of shareholders.

Second, non-profit organizations in such developed country context are endorsed with generous funding opportunities, subsidies and support from their local institutional donors and government. In contrast, non-profit organizations in developing countries (as in the case of Cambodia) face persistent funding challenges. Because local resources, particularly grants and donations are relatively scarce, most of these organizations are forced to depend dominantly on funding by Western-based donor organizations. Consequently, the funding strategies in response to resource dependence may vary significantly among organizations located in developed and developing countries, and so may the effects emanating from these strategies. Therefore, an analysis has to acknowledge the embeddedness of findings in their social context. At the same time, the dependency on foreign agencies underpins the inequality between international donors and recipient NGOs in developing countries (Mitchell, 2012). Therefore, the dimension of power within this social context has to be part and parcel of such an analysis (Davis & Cobb, 2010).

This study aims to contribute to the debate on resource dependence and funding strategies in particular from a developing country perspective. In order to assess how different strategies for addressing funding challenges – such as targeting grants and donations, seeking government funding and generating earned income - affect the mission, program and financial sustainability of local Cambodian NGOs, we use Froehlich's four key variables as a framework for the analysis of our data: *funding volatility*, *goal displacement effects*, *process effects* and *structure effects*. These key variables will be assessed within the social context of heavily aid-dependent Cambodia.

#### 4.4 Research Methodology and Data Analysis

The empirical research underlying this article applied both qualitative and quantitative methods, a mixed method using sequential explanatory approach (Creswell, 2009); or what Teddlie and Tashakkori (2009) term a sequential mixed design with a focus on qualitative data. The data collection was divided into three main phases: consultation workshops, quantitative survey and key participant interviews. Secondary data including organizational documents (NGO reports, websites, and financial statements) were collected before, during and after visits to NGOs. Data collection was carried out between November 2011 and May 2012.

Two workshops were held with key representatives from civil society organizations, academic institutions and development researchers in Phnom Penh. The proceedings of the consultation workshops contributed to generating topics for the survey. The quantitative survey was conducted face-to-face with the representatives holding the most senior position possible in the NGOs, which included the founders, executive directors, or managers. The survey served two purposes: (a) to define the NGOs' resource mobilization strategies; and (b) to identify sample NGOs for the qualitative phase. The survey was conducted in five regions across Cambodia (Table 4.3). The sample comprised of 688 randomly selected NGOs with 312 NGOs that participated in the survey accruing to a 45% response rate. The random selection method implies that the survey data is only representative of the NGOs in the five regions. However, the data potentially have a wider generalizability for the NGO sector in Cambodia for two reasons. First, these five regions have the largest number of NGOs. Second, the participating NGOs have programmes covering all regions (25 provinces and cities) of Cambodia.

**Table 4.3:** Regional Locations and Number of Participating NGOs

Region	Survey			Key Information Interviews		
	Selected NGOs	Participating NGOs	Percent	Selected NGOs	Participating NGOs	Percent
1 Phnom Penh	527	208	39%	23	23	100%
2 Siem Reap	51	38	75%	5	5	100%
3 Battambang	59	36	61%	7	7	100%
4 Kandal	32	16	50%	3	3	100%
5 Kampong Cham	19	14	74%	5	5	100%
Total	688	312	45%	43	43	100%

Of the 312 NGOs, we selected 43 LNGOs for further key participant interviews. The selection was based on the organizations' reported income earning strategies, regional representation, and sectors in which they engaged. Similar to the survey, the participants in these interviews were most senior members of the NGOs such as founders, executive directors, business or senior managers. During the key participant interviews, the focus was on key topics emerging from the survey findings. Discussions involved the clarification of information provided in the survey, seeking elaboration and explanation of resource mobilization trends and challenges, income earning activities, effects of different funding sources on the NGOs. Key characteristics, including the sectors, sizes, funding sources, geographical distribution, status, and years of establishment of the NGOs in the survey are presented in table 4.4.

In terms of data analysis, the quantitative data from the survey was processed by statistical software STATA. Key descriptive statistics such as main strategies for resource mobilization, share of funding sources, trends of funding, and main sectors of the NGOs were generated and analysed. These key statistics were used to generate topics for the key participant interviews and to select NGOs for the key participant interviews.

The qualitative data from the 43 key participant interviews were transcribed and then coded using Computer Assisted Qualitative Data Analysis (CAQDAS), Nvivo 9. The analysis of the qualitative data followed an inductive approach of thematic coding. The first round of the coding process generated 24 themes (parent nodes), the second round of coding generated an additional pool of 108 nodes (child nodes), and the third round of coding resulted in 68 nodes (child nodes), with 200 nodes consisting of 1680 references. After the three-level coding processes, relevant key quotes from the interviews were extracted. Queries and models on funding sources and effects were also generated from the qualitative data using Nvivo.

Several measures were taken to warrant research integrity and ethical standard. We used two forms of informed consent to provide information to all participants in both the survey and informant interviews on the research's background, aim, anonymity, and confidentiality as well as to request permission to tape record. We also informed our participants that research findings would be shared with them as soon as they are publicly available.

**Table 4.4: Main Characteristics of the Participating NGOs**

<b>Sample characteristics (n=312)</b>	<b>Frequency</b>	<b>Percent</b>
<b>Main sector</b>		
Democracy, right-based and advocacy	277	21
Education and training	275	20
Health and water	227	17
Community development	192	14
Agriculture and environment	149	11
Others	96	7
Providing grants to NGOs/CBOs	55	4
Landmine, disability and rehabilitation	29	2
Tourism, arts and culture	23	2
Religion/faith-based	19	1
<i>Total</i>	<i>1,342</i>	<i>100</i>
<b>NGO Size (US\$)</b>		
≤ 10,000	28	9
10,001-100,000	83	26
100,001-200,000	44	14
200,001-300,000	30	10
300,001-400,000	15	5
400,001-500,000	18	6
500,001-10,00,000	31	10
1,000,001 and over	34	11
N/A	29	9
<i>Total</i>	<i>312</i>	<i>100</i>
<b>Funding Sources</b>		
grants and donations		75
earned-income		21
government funding		4
<i>Total</i>		<i>100</i>
<b>Geographic distribution</b>		
Phnom Penh	208	67
Siem Reap	38	12
Battambang	36	12
Kandal	16	5
Kampong Cham	14	4
<i>Total</i>	<i>312</i>	<i>100</i>
<b>NGO Status</b>		
LNGOs	223	71
INGOs	89	29
<i>Total</i>	<i>312</i>	<i>100</i>
<b>Year Established</b>		
1979 and earlier		1
1980 – 1989		3
1990 – 1999		36
2000 – 2011		58
Others		2
<i>Total</i>		<i>100</i>



## **4.5 Key Findings**

### **4.5.1 Effects of Grants and Donations**

Foundation grants and overseas donations are the largest source of revenue for NGOs in Cambodia, accounting for about 75% of their total annual budget. Such heavy reliance on foreign assistance, particularly institutional grants, raises some serious issues. First, the fluctuation of donor money reduces the ability to sustain both activities and benefits to communities. The vulnerability of NGO funding due to external impacts such as the global economic crisis has sparked concerns among NGO representatives. The effects of grants and donations include the pressure to align with donor priorities and missions. Below, these issues will be addressed.

There are many cases where the NGO missions have essentially drifted during struggles for survival. These NGOs are willing to engage in projects of any kind that could sustain their survival, even if the new engagement involves stepping out of their own expertise and mission, as is illustrated by the example of the earlier cited NGO operating in the health sector:

...the mission and vision of [our NGO] was mainly related to health, but because there was not enough donors funding available in health, [our NGO] have had to diversify not only out of health but in some cases out of media into something entirely new areas. For example, the promotion of reproductive health at the community level, which would not initially be something [our NGO] would do because it's not media related. Another example would be, we have done some proposals on good governance, which is not health related at all, but because of the lack of funding available for projects that do relate exactly to the mission and vision, it's diversification! [laughed]...At [our NGO], it is a completely different approach: we only do what the donors want (NGO7).

Outside of the capital city of Phnom Penh, the funding situation for NGOs gets even worse. The bargaining power of smaller and rural-based NGOs is limited as resources are scant and demand is high. The top-down approach to development characteristic of donor-driven projects detrimentally affects the effectiveness of their projects for target communities.

Without considering or consulting with local people, foreign donors' one-size-fits-all development paradigm has raised many questions about the effectiveness of foreign aid and development in Cambodia. The amount of grants that "leaks" back to donor countries through the employment of foreign technical advisors and procurements of specific products from these countries has raised the concern of practitioners as well as top government officials.

Another group of NGOs are reluctant to submit to coercion from donors to implement programs beyond their scope. As their first priority, these NGOs seek funding for programs that are in line with their own mission. However, when facing desperate circumstances, they are willing to negotiate with donors the specific programs they want to pursue, which may lead to a compromise between the donors and recipient NGOs.

Other NGOs describe similar processes when mobilizing donor funding for their projects. "So far we have worked based on our mission. We develop our project ideas first and then we find donors later on," said a leader of an NGO providing vocational training and helping women generate income (NGO29). Another interviewee from an NGO working with the poor and vulnerable people in Phnom Penh describes a similar process: "Some projects are implemented upon request from donors if we believe that they are aware of the real situation on the ground. Some others are decided and approved by our board before we start seeking for funding" (NGO30). In line with this, another NGO administrator stresses that sometimes they respond to a request for proposal that matches with what the NGO does and "won't change what we do based on the availability of money" (NGO22).

While many local NGOs are willing to do what it takes to get funding critical for their continued operation, some NGO directors indicated that they strictly adhere to their mission. These leaders have a strong belief in their approach of addressing development issues and would not hesitate to turn away any funding opportunity that potentially compromises this mission. A few of these directors feel obliged to persuade their donors to respect and subscribe to their NGO's mission. A director of a health NGO tries to achieve this by presenting to their potential donor empirical evidence from various surveys and evaluation reports in order to convince them that he would achieve the result as envisioned by the donors despite his diverging approach (NGO34). In case of donors failing to respect their NGO's mission, some directors would turn down donor funding.

In terms of flexibility, NGO directors view funding from grants and donations as too rigid and insufficient to cover program administration expenses. Some NGOs receive no funding whatsoever to help with administration costs, while others receive as little as 5% to 7% of total costs. Donations from private individuals are more flexible than grants from institutional donors, though this usually adds to the burden of reporting requirements. As it takes a large number of small donors to fund one project NGOs usually end up using income from other sources or financial reserves to pay administration and operation costs not covered by donors.

#### **4.5.2 Effects of Earned-Income Activities**

One in four NGOs in our survey depends partly on revenues from sales of goods and services. However, the total contribution from such activities is relatively small compared to the total annual budget of NGOs in Cambodia. The concepts of “earned-income activities,” “commercial activities,” “entrepreneurial activities,” “business activities” or “social entrepreneurship” are still relatively new and can be controversial for some. Yet, data from NGOs engaging in such activities suggest overall positive effects on the organization and projects. For some NGOs, such earned-income activities are critical not only for their financial stability but also for their independence, community ownership and program sustainability.

If [we] want to make [our NGO] stronger and protected for future [economic] crisis, we have to develop our own income. So [our NGO] is safe today and was able to face the crisis because 50% of the budget is coming from our own income. If it had not been the case and we were 100% dependent on donors, maybe today we die (NGO33).

For many NGOs in the study, engaging in some type of business activity related to their mission, one of the additional advantages is the flexibility of the revenues earned. These are the most commonly cited positive effects by NGO leaders and business organizations. This type of resources has also resolved one of the major constraints associated with foundation grants that restrict NGOs from spending on administration, staff salaries or staff capacity building. As one of our key interviewees aptly commented: “It [revenue from grants] is easier to get, but harder to spend” while “[earned-income] is harder to get, but easier to spend” (NGO2 & NGO4).

Other effects of earned income are less visible. Though spending earned income comes with less administrative hassle, the approval of any request for expenditure still has to go through their board of directors or management team (depending on the amount). To them, this process promotes “local decision-making” and “ownership of projects” (NGO23, NGO24). Two other local NGOs engaging in education and training compare and contrast the same programs before and after introducing fees for their courses. When the program was free because of donor support, attendance and perception of quality of the courses was low. When fees were introduced, the course attendance and participation improved dramatically and the perception of the program quality became more positive (NGO4 & NGO19). In addition, a few NGO directors mention an increased capacity in (financial) management and administration and improved transparency in decision-making and finance as the effects of earned-income projects (NGO33). Overall, earned income turns into a favourite funding source for NGOs because it enables them to both achieve their mission and generate some income.

Despite of the positive effects discussed earlier, earned income generates social and ethical dilemmas, competition with private sectors and loss of priority of achieving mission. For instance, an NGO in Phnom Penh runs a non-profit restaurant with the purpose to help reintegrate disadvantaged youth into the workforce and society. For this purpose, they train youth on the job. At one point, the NGO was so focused on earning an income from the restaurant that they did not reintegrate one single trainee into society over a one-year period. This NGO lost track of its objective because:

Doing your business is exposing you to more and more outside pressure that is very very difficult to step back. And at one point you have to consider whether you want to do it or not. And if you do it too fast, it’s going to be against your main objectives (NGO26).

One of the NGOs in the study is a well-established Cambodia-based organization that operates in multiple countries. Its revenues from earned-income activities are large enough to cover all its operational expenses. This organization is able to allocate the rest of its external resources (e.g. grants and overseas donations) to increase impacts to its beneficiaries through employment and university scholarships for disabled youth. However, according to its representative, the challenge is to balance moneymaking and social service provision, a double mission that is difficult to achieve (NGO13).

### **4.5.3 Effects of Government Funding**

The share of government grants and contracts is the smallest among the three main funding sources for NGOs in Cambodia. “We wish there were government grants”, many of our participants moaned. Only a few NGOs report receiving direct government grants and contracts while others obtain different types of support including donations or free property leases (e.g. a piece of land for office or school), and tax exemptions for their businesses or imported goods. Although the number of NGOs in this category is small, the findings reveal some adverse effects of government funding. A couple of NGOs receiving government contracts seem to have been established solely for this very purpose. Government contracts are awarded through an annual or biannual bidding process and are mainly for implementing, for example, rural development or agricultural training projects funded by international development agencies and distributed through government agencies. Government contracts are the sole source of revenue for their organizations. They do not usually have any physical office or contract staff and, in case they do, it would be on a temporary basis during a limited period of the project life cycle. When their project finishes, the founders and “staff” transfer to other jobs and the NGOs become inactive but retains their official registration status. As the next phase of calls for bidding arrives, this funding cycle starts again. Not surprisingly, some of the founders of these particular NGOs are senior civil servants in sub-national government institutions (NGO4).

The nature of government contracts implies that eligible NGOs do not get to choose the types of project they pursue. A director of an NGO in Kampong Cham talking about how his organization mobilized government funding says, “At the end of the year, they will announce new projects and then we will contact them [to apply through bidding proposal]. We use to write proposals for grants but we never receive any” (NGO28). Therefore, these NGOs assume the character of private consultancy firms pursuing projects from sub-national governments with the main objective of making some profit for their directors and members. As one of their directors states: “[After project costs], we have about 40% of the budget left for sharing among us and for a small amount reserved for future use” (NGO31).

The aforementioned effects are associated with only those NGOs that receive direct financial support from the government such as through grants and contracts. Many NGOs in this study that report receiving tax exemptions and in-kind donations do not experience any

particular effects as a result of receiving such support. Many NGO leaders only wish for more government funding. The lack of government funding not only poses a challenge to NGO funding mobilization, but it also constrains their effective partnership with government institutions (NGO7).

## **4.6 Discussion**

This section discusses the effects of the three main resource mobilization strategies of selected Cambodian NGOs, namely revenue volatility, goal displacement effects, process and structure effects. Analysing the empirical findings against the background of Froelich's framework, the empirical findings are partially aligning with and partially diverting from this framework. Each indicator is evaluated against the existing framework. The indicators are rated *high*, *moderate* or *low* based on the authors' judgement and analysis of the interview data. Therefore, the evaluation may be subjective but nonetheless useful as it identifies the similar and diverting ways in which resource mobilization strategies affect the key indicators in a developing context.

### **4.6.1 Revenue Volatility**

Revenue volatility is measured by the annual variation in predictability and stability of income sources. The volatility of a revenue source determines the expected level of the source's stability and reliability. The flow of a low-volatile source of revenue is more stable, reliable and easily predictable. In contrast, high-volatile revenue sources make NGO leaders face many uncertainties and fluctuations regarding the volume and flow of the source. A source of revenue with moderate volatility provides a revenue flow that is adequate at times but not always reliable.

The findings confirm that NGOs depending on grants and donations face high revenue volatility. However, there is little evidence supporting the volatility of funding from government grants and contracts and earned-income. Government funding has *moderate* volatility due to two main reasons: (a) the government funding to NGOs is actually financed by international donor agencies; and (b) there is virtually no government support for civil society organizations. Therefore, NGO funding is affected when donor agencies change development priority or cut funding to the Cambodian government.

NGO revenues from earned-income or commercial activities are the least volatile among the three major funding sources. This *low* volatility is based on the observation that

none of the NGOs engaged in such activities reported any particular failure as suggested by Froelich. On the contrary, NGOs are increasingly dependent on their earned income as discussed earlier. However, it is worth recalling that for many NGOs in the study, earned-income activities are very often a sideline of their overall program and total revenue. Many of the programs are not fully self-sufficient because they are partly subsidized by donor funding. This may account for a lower risk of failure.

#### **4.6.2 Goal Displacement Effects**

Different revenue strategies have different effects on an NGO's goal. When a particular strategy has a strong effect on the goal displacement, NGOs are easily distracted from their missions. However, a low goal displacement effect of a revenue source contributes to an NGO's ability to fulfil their mission. A source of income that affects NGOs' goals moderately has the potential to create goal displacement if not properly managed by NGO leaders.

A number of NGO directors in our sample who receive funding from grants and donations indicate that at various instances community members and local authorities have been consulted during the process of defining and finding a bottom-up approach to solve problems in their communities. Overall, it is fair to conclude that NGO dependence on grants and donations results in *moderate* goal displacement effects.

NGOs receiving financial support from the government are subject to *strong* goal displacement effects. For a few of the NGOs in this group that are established to bid for government contracts, the effects are strong. Effects on the goals are less noticeable among NGOs who receive government grants and depend on other sources of funding such as donations. For the majority of NGOs in this study accepting nonfinancial support such as tax exemption, in-kind donations or free leases of property from the government, there is not any apparent effect on the goals and mission of the organizations.

Revenues from commercial activities enable NGOs to align their program close to their mission and promote organizational autonomy and independence of external control. This less constrained source of funding is most preferred by NGO leaders because of its flexibility. However, this very flexibility may be cause for concern. The core issue is the potential for goal displacement, which manifests itself when "the profit distribution

constraint” is broken, or in other words, when an organization’s economic value outweighs its social value. This occurs in particular when an NGO fails to make any positive changes to the lives of the target group or community. This is the case for a few NGOs who reported losing priority on their social programmes while concentrating on making money. Therefore, effects of earned income on the goals and mission of NGOs are rated as *moderate*.

#### **4.6.3 Process and Structure Effects**

Structural change and process effects on non-profit organizations occur when NGOs managers adapt their organizational and administrative structure to meet donors’ requirements. Low effects on the process and structure of NGOs as a result of adopting a particular funding strategy do not pose serious risks to the organizations. However, high effects will result in the internal process and structure becoming more aligned to for-profit firms (e.g. through commercialization) or government agencies (e.g. through government contracts). Moderate effects imply NGOs are more likely to manage any structural and process changes to retain their status and legitimacy.

The effects of foundation grants on NGO processes include *formalization*, where internal processes in the organizations evolve to conform to different requirements and regulations of donors. In this case, some NGOs have multiple administration and finance standards, which make their leaders and staff struggle with complex and fragmented processes. Individual donations affect NGO processes, as managers have to cope with sending separate reports to the numerous individual donors. There is no apparent effect of corporate contributions to NGO structure and processes, partly because this source of revenue is still relatively small. For example, reporting usually is not a requirement for NGOs who received corporate funding.

Government funding as a source of income also spawns processes of *formalization and standardization* in NGOs. Receiving government grants and contracts implies that strict standards and formal regulations have to be followed in terms of reporting and accounting requirements. These processes set off by government funding affect the structure of recipient NGOs – an effect Froelich (1999, p. 260) terms *professionalized bureaucracy*. The current study identifies at least two structural effects. On the one hand, the structure and behaviour of NGOs that receive most or all funding from the government, reflect that of a government agency. On the other hand, when NGOs are established in order to contribute to the personal



profit of their founders by obtaining government contracts, their internal process and structure are similar to the for-profit firms as discussed by Salamon and Anheier (1992), Weisbrod (2000) and Young and Salamon (2002). Dependence on government funding, especially government contracts, may constrain an NGO's (effective) engagement in political advocacy.

Some of the most pronounced findings pertain to the effects of earned-income activities on the process and structure of NGOs. The leaders of NGOs that are engaged in restaurants and handicraft retail perceive a marked improvement in transparency in accounting and decision making processes. Such practices also promote "more rational accountability" and a "cost-benefit mentality" (Froelich, 1999, p. 259). As some NGOs become increasingly commercialized, there is evidence of change in the organizational structure such as the hiring of business personnel (business manager, marketing staff, and other staff with business skills and background) and the establishment of for-profit sister organizations (commercial or social enterprise). The board of directors as an exponent of the governance structure, plays a more important role in overseeing NGO finances and managing possible conflicts of interest and mission drift. The structural effects of engaging in business activities are predominantly the *professionalization of NGO administration* (Table 4.5). These positive effects of earned-income activities on the process and structure of NGOs are relatively consistent with the writings of Hughes and Luksetich (2004), Mitchell (2012), and Weisbrod (2000).

Comparing our findings to Froehlich's framework, our rating of the effects of resource mobilization strategies among NGOs shows some divergence, particularly on the revenue volatility and goal displacement effects of government funding and earned income (Table 4.5). On the one hand, our findings suggest that revenue from government sources is less unpredictable than Froelich's suggestion. On the other hand, we have found that earned income is more stable but has higher risk of goal displacement.

**Table 4.5: Empirical Matrix of Main Types of Funding Strategy and Effects**

Funding Sources	Grants and Donations		Government Funding		Earned-Income	
	Literature	Findings	Literature	Findings	Literature	Findings
Revenue volatility	High	<i>High</i>	Low	<i>Moderate</i>	Moderate	<i>Low</i>
Goal displacement effects	Strong	<i>Moderate</i>	Moderately strong	<i>Strong</i>	Weak	<i>Moderate</i>
Process effects	Formalization	<i>Formalization</i>	Formalization, standardization	<i>Formalization, standardization</i>	Rationalization	<i>Rationalization</i>
Structure effects	Professionalized administration	<i>Professionalized administration</i>	Professionalized bureaucracy	<i>Professionalized bureaucracy</i>	Professionalized business forms	<i>Professionalized administration/business forms</i>

We believe these variations are related to the specific social context in which our study is embedded. As pointed out earlier, most of the studies available – including Froehlich’s conceptual work - address NGO funding strategies in a developed Western context, whereas our study deals with NGOs in a developing country depending on donor agencies located in developed countries, both Western and non-Western. The ensuing large power differential accounts for the contrasting local funding opportunities for NGOs in developed and developing countries. As discussed earlier, the abundance of institutional and government grants available to NGOs and the relative autonomy of the NGOs in developed countries make these organizations less dependent on external funding sources. Conversely, NGOs in Cambodia are fundamentally depending on international funding sources. We suspect this dependency and the limited government support create large power imbalances between donor and recipient NGOs. Lastly, while Cambodian NGO leaders are excited about the potential of earned revenue because of its low volatility, the effect of such income on mission drift is stronger than in developed countries due to the weak governance and management system that afflict Cambodian NGOs.

In addition, the effects of various resource mobilization strategies adopted by Cambodian NGOs are more mixed and complicated than in the case of developed countries. For example, Froehlich’s argument that funding from commercial activities is more volatile than donor funding contrasts with the Cambodian situation characterized by donors’ funding cuts and rapid shifts in donor assistance from one recipient country to another. Likewise, Froehlich’s conclusion that commercial income is weakly associated with goal displacement

does not apply to the Cambodian situation where commercialisation may either over-prioritize or jeopardize an NGO's social mission.

Our study contributes to RDT in several key areas. First, this study is among the few to investigate the effects of NGO strategic responses to funding challenges from a developing country perspective. As noted above, the rather divergent context and power differentials within which NGOs in developing countries operate account for different effects of funding strategies. Second, this research adds empirical data on resource dependence among NGOs. In this respect, the findings clarify the ambiguity and the cross-country variation of effects of funding strategies used by non-profit organizations (as compared to the widely discussed effects of response strategies used by for-profit firms).

The study also enriches the application of RDT by emphasises the influence of the external environment (Pfeffer & Salancik, 2003, 1978) on NGOs who are heavily dependent on external resources from foundation grants and donations. Changes in donor priorities, unleashed by global economic downturn, and competition among peer NGOs have negative effects on the effectiveness and survival of NGOs in Cambodia. In turn, these challenges have encouraged NGO leaders to diversify their organization's revenue sources, particularly into a variety of commercial ventures as evident in many NGOs in the study. Conversely, external impacts emanating from other revenue-providing organizations may have negative consequences: NGOs may not be able to initiate innovative programs and may thus lose their autonomy and mission (Mitchell, 2012). On the other hand, self-generated sources of revenue enable NGOs to stay focused on their mission, retaining autonomy and independence,.

The effectiveness of each of the three main funding mobilization strategies may vary according to the sectors NGOs are engaged in and their local political and social context. From this specific study of NGOs in Cambodia, it can be inferred that commercial activities, especially those closely related to the core mission of NGOs, could be an effective strategy in reducing dependence on external control. Related business activities are effective for several factors mentioned earlier. Summatively, these include a sense of local ownership through a bottom-up approach of development projects; an improved staff capacity, transparency and organizational governance in general; and wider and sustainable impacts of development projects to beneficiaries.

Apart from commercial activities, NGOs will still depend on foundation grants and donations despite the potential (negative) effects from such dependence. The willingness and capability of NGO leaders to manage such dependence and the associated effects is vital to the effectiveness of their work. Government funding, especially in the form of government contracts, is the least effective resource mobilization strategy. Our findings show that NGOs in a contract-driven partnership with government lose control of their own affairs and turn into a government division.

#### **4.7 Conclusion and Future Research**

Funding diversification strategies affect NGOs in Cambodia in different ways. The findings of this study confirm some while contradicts other effects of the strategies as described in the existing literature, in particular concerning revenue volatility, goal displacement effects, process, and structure effects. While previous research is based analysing data from the perspective of developed – and in particular Western countries – this article provides empirical evidence of strategic responses by NGOs in developing and aid-dependent country. The variations as presented from such context contribute to a fuller understanding and application of existing frameworks beyond a Western context. The application of RDT in our study contributes to extending and enriching the theory further by providing an analysis of the strategic responses to resource dependence among non-profit organizations, especially those located in developing nations.

However, the extent to which the effects are felt by NGOs differs according to the sectors in which they engage and the criticality of the funding source. Another salient finding of this study is the emergence of earned-income activities – the commercial turn – among NGOs and, therefore, their reduced external dependence. Yet, the potential positive effects of NGO commercial engagement must be balanced with social and ethical issues such as mission-drift, conflicts of interest and loss of NGO identity. The commercial turn among Cambodian NGOs – whilst reflecting a process observed among many non-profit organizations in both developing and developed countries – has implications that are far exceeding the domain of revenue diversification. In Cambodia, the commercial turn implies also a paradigm shift. Local NGOs that are used to operating in an externally controlled environment come to experience increased responsibility and accountability vis-à-vis their beneficiaries. Overall, this transformation marks a shift from foreign-dominated to locally embedded processes of development.

Future research will have to address the question whether NGO engagement in commercial activities results in the demise of non-profit organizations. If this is the case, what will then be the character of the ensuing commercial ventures? Will these ventures subscribe to an entrepreneurial or business model? Or will these ventures adopt the social approach resulting in social enterprises to emerge? What will be the impact of social entrepreneurship on developing economies such as Cambodia?

The implications of this study for policy making in Cambodia are twofold. The Cambodian government may well consider the allocation of funding to non-profit organizations that can supplement government public services as well as ensure NGO key roles in strengthening civil society development. This may apply in particular to pro-government NGOs as youth organizations registered under NGO law. Another implication pertains to the regulation of commercial activities, particularly those not related to the mission of the NGOs. As the draft law on NGOs and associations is being introduced, policy makers must take into consideration the increased scope and scale of commercial activities among these non-profit organizations in order to avoid mission drift and to enforce the rules and regulations of non-distribution of profit earned from such activities. The latter is a prerequisite to prevent corruption from taking hold of NGOs.

## Appendix: List of NGOs that Participated in In-depth Interviews

NGO Code	Positions of NGO Representatives	Date of Interview
NGO01	Executive director	12-Mar-2012
NGO02	Director	23-Apr-2012
NGO03	Programme manager	12-Mar-2012
NGO04	Executive director	12-May-2012
NGO05	Director	12-Mar-2012
NGO06	Executive director	9-Apr-2012
NGO07	Programme advisor	26-Mar-2012
NGO08	Executive director	26-Apr-2012
NGO09	Executive director	9-Apr-2012
NGO10	Executive director	11-May-2012
NGO11	Executive director	24-Apr-2012
NGO12	Country representative	13-Mar-2012
NGO13	Country director	1-Nov-2011
NGO14	President	20-Mar-2012
NGO15	Executive director	23-Mar-2012
NGO16	Executive director	6-Mar-2012
NGO17	Executive director	25-Apr-2012
NGO18	Executive director	15-Mar-2012
NGO19	Executive director	10-May-2012
NGO20	Director	2-Mar-2012
NGO21	President/Founder	26-Mar-2012
NGO22	Executive director	19-Mar-2012
NGO23	Executive director	24-Apr-2012
NGO24	Founder/ Executive director	21-Mar-2012
NGO25	Country representative	25-Feb-2012
NGO26	Advisor	9-Mar-2012
NGO27	Director	10-May-2012
NGO28	Executive director	27-Apr-2012
NGO29	(1) Executive director; (2) Monitoring and Evaluation	26-Apr-2012
NGO30	(1) Office Manager; (2) Accounting officer	29-Mar-2012
NGO31	Director	16-Mar-2012
NGO32	School director	11-May-2012
NGO33	Business director	21-Apr-2012
NGO34	Executive director	30-Mar-2012
NGO35	Executive director	16-Mar-2012
NGO36	Director	5-Mar-2012
NGO37	Director	23-Apr-2012
NGO38	(1) Executive director; (2) Administration officer	2-Mar-2012
NGO39	Business manager	24-Apr-2012
NGO40	Executive director	26-Apr-2012
NGO41	Executive director	27-Apr-2012
NGO42	Executive director	15-Mar-2012
NGO43	Executive director	19-Mar-2012

**Endnote:**

1. Other strategic responses found in the literature include adoptive strategies (Dieleman & Boddewyn, 2012), constraint absorption (e.g. merger, acquisition or long-term contracts) (Casciaro & Piskorski, 2005), buffering techniques (e.g. through organizational structuring) (Scott, 2003; Thompson, 2011), domination strategies to restructure the resource environment, or employing resources other than revenues (network, technology and human resources). However, these strategies were identified in the empirical context of for-profit firms rather than non-for-profit or hybrid not-profit-for-profit organizations as in the case of this article.

## Chapter 5:

### 5 The Dawn of the Social Enterprise in Cambodia? Processes of Commercialisation in the Nonprofit Sector<sup>8</sup>

#### Abstract:

The increasing commercialisation among nonprofit organisations (NPOs) is shifting financial dependence from charitable donations to self-generated earned income. Little is known about the consequences of this shift. Indeed, there is a lack of literature that discusses how NPOs' ventures into social entrepreneurship evolve and what effects they have on multiple dimensions of these organisations. To address this gap, the aim of this paper is to describe and analyse processes of commercialisation of nonprofit sector organisations and their effects on social entrepreneurial NGOs in Cambodia. The data used in this study is based on a large-scale quantitative survey and qualitative key informant interviews with NGO leaders and administrators of NGOs in five regions across Cambodia. We found that the need to ensure social and financial sustainability is one of the major motivations organisations engaged in commercial ventures. Commercialisation has transformative effects on the goals, motives, methods, income distribution, and governance component of NGOs in the sample. At the same time, however, commercialisation tends to sideline the social mission of NGOs.

#### Key words

NGO, commercialisation, social enterprise, effects, Cambodia

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<sup>8</sup> This article is co-authored by Khieng and Dahles and, as of January 2014, is under review for the *Journal of Social Entrepreneurship*.



## 5.1 Introduction

In 2010, the Cooperation Committee for Cambodia (CCC), an influential umbrella and development think-tank, identified “a shift toward social enterprise programs as a new, more sustainable development model’ for the country” (Cooperation Committee for Cambodia, 2010, p. 7). This reorientation towards social entrepreneurship marks the latest development among non-governmental organisations (NGOs). What impacts the partial or full conversion into social enterprises are on the nonprofit and for-profit worlds are little known. This conversion could turn out as an alternative approach to development, breaking the fetters of donor-dependency and stimulating grassroots and community-driven entrepreneurship. However, the transformation could harm the reputation of and bring new risks to the nonprofit sector.

In Cambodia, examples of the conversion of NGOs to social enterprises abound. The NGO Youth with Disabilities Foundation for Education and Employment (Yodiffee) established handicraft business and farms to generate income and employment for handicapped youths. Similarly, another NGO, Buddhism and Society Development Association (BSDA) owns Smile Restaurant and runs English and computer courses, providing skills trainings for women and children of disadvantaged background. Khmer Arts, a registered nonprofit organisation (NPO),<sup>1</sup> strives to revitalise Cambodian classical dance and music through commercial tours and performances around the world. Such initiatives are part of an emerging trend of NPOs’ engagement in commercial activities in Cambodia.

Worldwide, particularly in North America and Europe, processes of commercialisation among NGOs have reached a new level, as has been widely reported in the media (e.g. the *Guardian*’s Social Enterprise Network) and discussed by current civil society scholarship (Cooney, 2011; Dart, 2004; Di Zhang & Swanson, 2013; Weerawardena et al., 2010). These organisations are “in transition” (Weerawardena & Mort, 2006) and experience a massive thrust toward commercialisation (Weisbrod, 2000, 2004), which is “the dominant force shaping the non-profit sector” (Anheier, 2005, p. 211). The “turbulent and competitive” external environment in which NGOs operate causes the leaders of these organisations to engage in more entrepreneurial activities (Weerawardena et al., 2010, p. 350). Consequently, a variety of organisational forms have emerged that exhibit some measures of

commercialisation. Two of the most common forms are referred to as *social enterprise* or *social entrepreneurial organisation*.

To date, empirical and theoretical studies on the subject are divided on the benefits and potential negative effects of commercialisation among NGOs. Some scholars propose that NGO engagement in business activities brings about advantages, such as a diversification of resources, a reduction of constraints imposed by donations and an ability to be more focused on the bottom line, and should therefore be encouraged (Alexander, 2000; Defourny et al., 2010; Evers, 2001; Frumkin, 2005; Haugh, 2007; Pfeffer & Salancik, 2003, 1978). Others, more sceptical, caution that business engagement may result in mission drift, exclusion of beneficiaries who cannot pay, promotion of unfair competition between nonprofit and for-profit organisations, risk to reputation and exploitation by nonprofit managers (Dees et al., 2002; Weisbrod, 2000, 2004; Young & Salamon, 2002).

Only scant literature exists on how commercialisation develops among NGOs (Di Zhang & Swanson, 2013) and little literature on the effects that NGOs experience upon engaging in commercial activities and the way in which their leaders deal with these effects. In addition, much of the available literature is based on the American and European contexts where commercial activities among NGOs are a long-standing phenomenon and social enterprises are more developed (Lepoutre et al., 2013). While some scholars suggest that social entrepreneurship is an embedded phenomenon shaped by the level of economic development as much as the social, political and cultural context (Lepoutre et al., 2013; Mair & Martí, 2006; Mair, 2010), only few empirical studies provide evidence of its situational and contextual nature. Particularly, the experience of countries in East and Southeast Asia brings additional value and insight to current scholarship and development practices.

In order to address the transformation of the nonprofit sector, this article aims at describing and analysing processes of commercialisation among NGOs in Cambodia. In particular, the question will be addressed as to how local NGO leaders perceive of and deal with the effects of this transformation on the objectives, strategies and management of their organisation. We choose to focus on Cambodia for several reasons. First, most of the NGOs in Cambodia were established in response to foreign aid initiatives (Malena et al., 2009) and have remained heavily dependent on such funding thus far. Second, NGOs in Cambodia are one of the most vibrant civil society actors. Third, they contribute substantially to economic

development and poverty reduction in the country. Fourth, Cambodian social enterprise development is under-researched.

The data on which this article is based have been generated in a large-scale study, comprising a quantitative survey among 300 NGOs as well as qualitative interviews with 42 selected local NGO leaders across Cambodia. The article contributes to existing literature on transformations of the nonprofit sector by revealing the efforts of local NGO leaders to escape the constraints of aid dependency and to deal with the perceived effects and challenges emerging in this process. The analysis is based on a conceptual model of organisational diversity in the social enterprise discourse (based on Alter, 2007). The study has important policy implications concerning the regulation of the related and unrelated business activities of NGOs as well as the emergence of social enterprises in Southeast Asia at large and Cambodia in particular, since the Government of Cambodia is planning to introduce a law to govern NGOs/Associations.

This article is structured as follows: in the next section, the background of the Cambodian NGO sector is briefly discussed to establish the context for the analysis. Then, a review of relevant literature is undertaken to devise an analytical framework for the empirical findings, which are presented and interpreted in the following section. In the conclusions, the social dimension of the commercial activities as deployed by the Cambodian NGOs will be reflected upon. Implications are discussed relevant to policymaking and development practice. Finally, recommendations for future research are extended.

### **5.1.1 Cambodia's NGO Sector**

Cambodia's current challenges are rooted in the civil war and internal conflicts that have spanned several decades, extending into the late 1990s (Chandler, 2007). With peace and political stability achieved, Cambodia began its fast-leap reconstruction and reforms toward a free-market economy with substantial technical and financial assistance from international development partners (e.g. the World Bank, Asian Development Bank and International Monetary Fund) and large numbers of local and international NGOs. Cambodia benefits from the rapid growth of the garment, tourism and agriculture sectors, propelling the country into the echelon of the fastest growing economies in the world. In less than a decade, poverty has been reduced from 39% in 1994 to 27% in 2010 (Strange, Khieng, Saing, Hing, & Lun,

2011). The increasing prosperity, however, is not equally distributed across the nation and a widening gap between the rich and the poor is manifesting itself.

NGOs play a key role as an agent of development. They have contributed significantly to the economic development and poverty reduction in Cambodia. Between 1992 and 2011, NGOs provided about US\$1.1 billion, or 10%, of total aid from their own resources (Council for the Development of Cambodia, 2011). In an annual development effectiveness report, the government acknowledged the substantial contribution of NGOs to national and sub-national development through both service provision and policy advocacy. Based on their funding allocation and in order of importance, NGOs' main areas of activities are health and HIV/AIDS, education, and community development (Council for the Development of Cambodia, 2011). These sectors are very much in line with the priorities of the National Development Strategic Plan (NSDP). Beyond basic social services, NGOs have also developed strong roles in building a culture of peace, link Cambodia to relevant international networks and involve government and civil society organisations in dialogue for advancing accountability and good governance (Merla, 2010; Xinhua, 2009).

## **5.2 Literature Review: Towards a Conceptual Framework**

Social entrepreneurship is a relatively new area of research where theory building is incipient. Consensus about definitions is still lacking and debates are abundant. Social entrepreneurship is best understood by analysing its two constituent components: *social* and *entrepreneurship*. The vital question is which new meaning the *social* component adds to *entrepreneurship*. Other concepts used as synonyms or epiphenomena of social entrepreneurship are as follows: social venturing, NPOs adopting commercial strategies, cooperatives, community entrepreneurship, public entrepreneurship, fair trade, microfinance schemes, corporate social responsibility, social responsible business, volunteerism, civic entrepreneurship, and social economy (Alter, 2007; Lundqvist & Middleton, 2010; Mair, 2010).

Following Joseph Schumpeter (Schumpeter, 1934, 2000), entrepreneurship is synonymous with innovation. Schumpeter defines entrepreneurs as innovators who take advantage of market opportunities and transform production pattern via means of technical and/or organisational innovation. This definition emphasises “innovation” or “new combinations” of products, production methods, markets, source of material supply, forms of

organisation and resources as critical characteristics, distinguishing entrepreneurship from “doing business” or “profit-making activities” in general.

The term *social* is perceived to add a new dimension to an enterprise in that it identifies value creation for the benefit of a social group or objective as the distinctive characteristic. However, as Dees (1998, p. 3) argues, “social entrepreneurs are one species in the genus entrepreneur”. The explicit and principal social goals of an entrepreneur is what makes him/her a social entrepreneur (Dees, 1998; Peredo & McLean, 2006). Still, some scholars claim that entrepreneurship is social by nature (Dahles et al., 2010, p. 3). Others argue that the difference between commercial entrepreneurship and social entrepreneurship is that the earlier focuses on “outcomes rather than process” while the latter focuses on “process rather than outcome” (Seymour, 2012, p. 20).

Dees and Anderson (2006) identify two schools of thought among the scholars studying social entrepreneurship. The first identifies social entrepreneurship in terms of earned-income generation for the purpose of supporting social missions. These social missions are defined and promoted by stakeholders external to the social enterprise (SE). The second understands social entrepreneurship in terms of activities and strategies to address social problems and needs. These improvements are designed and implemented by the social enterprise as an integral part of its objective and mission.

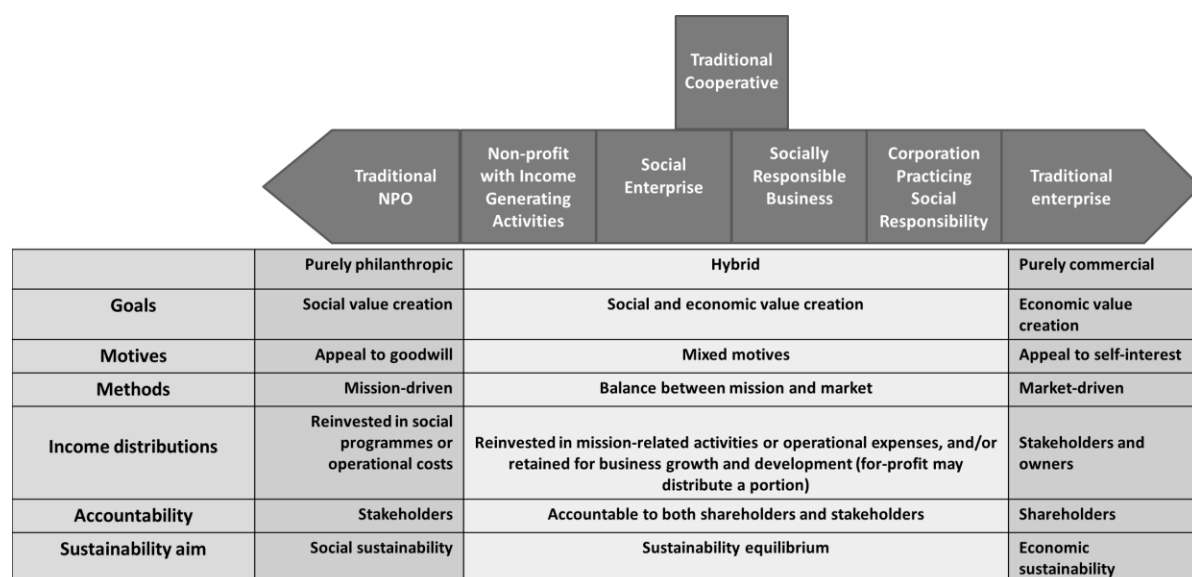
Brouard and Larivet (2010, pp. 39–50) provide a synthesis of current literature contributing to the conceptualisation of social entrepreneurship (see Table 5.1).

**Table 5.1: Conceptualisation of Social Entrepreneurship**

Concepts/ Number of References	Synthesised definitions
Social enterprises (31)	organisations which pursue social missions or purposes that operate to create community benefit regardless of ownership or legal structure and with varying degrees of financial self-sufficiency, innovation and social transformation
Social entrepreneurs (33)	individuals who with their entrepreneurial spirit and personality act as change agents and leaders to tackle social problems by recognising new opportunities and finding innovative solutions, and are more concerned with creating social value than financial value
Social entrepreneurship (31)	a concept which represents a variety of activities and processes to create and sustain social value by using more entrepreneurial and innovative approaches and constrained by the external environment

While it is useful to have some guiding definitions, it is important to note that social entrepreneurship has a different meaning to different people in different contexts (Kerlin, 2010; Mair, 2010). The different typologies of social entrepreneurship developed by scholars (see Figure 5.1) exemplify the transformation of organisational forms both in the not-for-profit and business sectors, and the emergence of various hybrid forms in between the two (Alter, 2007; Dacin et al., 2010; Dees & Elias, 1998). In Figure 5.1, organisations are positioned on a continuum based on selected indicators, such as their goals, motives, and methods of running the organisation, distribution of income, accountability and sustainability aim. The mission-driven traditional NPO is placed on the far left end of Figure 5.1. NPOs have the goal of creating social value for the benefit of different stakeholders and are concerned with social sustainability. On the opposite end, the market-driven and purely commercial enterprise is mainly accountable to its shareholders and concerned about the economic sustainability of the enterprise. Between the two extremes of the continuum, a wide variety of hybrid forms of organisation are distinguished, from not-for-profit with some minor income-generating activities to socially responsible enterprises toward the far right. These hybrid organisations have mixed missions and motives. Social enterprise and cooperatives hold the middle position due to their ability of balancing between social value creation and programme sustainability, thereby attempting to create a sustainable equilibrium.

**Figure 5.1: Continuum of Organisational Diversity in Social Enterprise Discourse** (adapted from (Alter, 2007))



Swanson and Zhang (2010) hypothesise that for an NPO to be social entrepreneurial, they “must strive for sustainability by applying business practices in a manner similar to those normally associated with for-profit businesses” (p. 81). These social entrepreneurial NPOs (Di Zhang & Swanson, 2013; Lepoutre et al., 2013; Weerawardena et al., 2010) distinguish themselves from traditional NPOs by pursuing social and economic missions simultaneously. They are also different because they bring in new strategies, norms, values, and innovation to the nonprofit sector (Dart, 2004). By acting entrepreneurial, traditional NPOs can become “more market-driven, client-driven, and self-sufficient” (Perrini, 2006, p. 60). Sustainability in NPOs pertains to the organisations’ ability to survive in order to meet their social objective (Weerawardena et al., 2010).

In the past decade, there has been “a quantum leap” in the “scope, scale and variety” of NGO engagement in commercial activities (Young & Salamon, 2002, p. 224). Various theories have emerged to address the commercialising NGO as a ‘new’ organisational form and sub-field of study. Among these theories are those that address increased intra-sector and inter-sector competition for donor funding and the consequential search for new strategies to sustain their organisations and their social programme, among them the turn to commercial activities (Dart, 2004; Eikenberry & Kluver, 2004; Kerlin & Pollak, 2011; Pfeffer & Salancik, 2003, 1978; Weerawardena et al., 2010; Weisbrod, 2000). Other approaches address, in particular, the institutional environment (Feeney, 1997), where social issues left unsolved by government, market or civil society sectors become integrated in the social mission of NGOs (Mair, 2010; F. M. Santos, 2012). NGOs are allocated the role to address these government and market failures (Ben-Ner, 1986; Hansmann, 1987; Salomon, 1987; Steinberg, 2006). NPOs also have their own inefficient and limited ability to response to goods and services under-provision (Steinberg, 2006).

However, thus far, very few scholars have attempted to theorise the effects experienced by NGOs engaging in commercial activities and the coping strategies developed by local NGO leaders facing these effects. Some scholars engaging in research on funding strategies among NGOs have paid cursory attention to the effects of commercial activities. Overall, it has been stated that the commercialisation of services provides NGOs with access to revenues and greater flexibility, thereby reducing donor dependence (Froelich, 1999). Mitchell (2012), however, cautions that NGOs could face mission-drift when engaging in business that is not related to their mission. Literature on “how social entrepreneurial values

evolve” (Di Zhang & Swanson, 2013, p. 122) is fragmented. To address these issues more systematically, this article will apply selected key indicators as listed in Figure 5.1 to the Cambodian NGOs in our sample. In order to better understand the benefits and challenges perceived by local NGO leaders engaging in commercial activities, the article will assess their perspective on the transformation of their organisation’s goals, motives, methods, income distribution, accountability and sustainability.

### **5.3 Research Methodology and Data**

The research underlying this article applies a mixed methods approach following a sequential explanatory procedure (Creswell, 2009; Teddlie & Tashakkori, 2009). In the first phase, a face-to-face survey among 312 NGOs was conducted in five regions of Cambodia.<sup>2</sup> The objective of the survey was to map NGO strategies (in particular, commercial strategies) in mobilising resources to sustain their operations.

In the second phase of the research, 43 NGOs across different sectors were selected among those that, in the earlier survey, had indicated that their organisation generated income from commercial activities. A total of 43 in-depth interviews were conducted with the objective of investigating the NGO leaders’ perceptions of the effects of commercial activities on the mission, operation and governance of their organisation. The key characteristics of the NGOs selected for in-depth interviewing are listed in Table 5.2.

The data from the quantitative survey were processed using statistical software STATA. We generated descriptive statistics to map NGOs to generate themes and topics for the interview phase. The interview recordings in the second phase were transcribed and coded using the qualitative data analysis software Nvivo. We adopted an inductive analysis of thematic coding. The first level of thematic coding generated 24 themes (parent nodes). An additional level generated 108 ‘child’ nodes, while a third level of further in-depth analysis resulted in 68 nodes. These three-level coding and analysis provided key quotes. In order to illustrate our findings, we selected a number of these key quotes to serve as exemplary quotes. To protect the identity of our interview participants, the quotes are listed under a code.



**Table 5.2: Characteristics of the Commercialising NGOs**

<b>Sectors</b>	<b>Percent</b>
Education and training	22.1
Health, nutrition and HIV/AIDS	10.0
Child welfare and rights	9.7
Community development	7.6
Agriculture/animal health	7.2
Gender and women issues	5.5
Credit and savings	5.2
Environment and natural resources	4.8
Advocacy, democracy and human rights	4.8
Tourism, arts and culture	2.4
Humanitarian aid, and disaster preparedness	1.4
Others <sup>3</sup>	19.3
<i>Total</i>	<i>100</i>
<b>NGO Size (based on annual budget, in US\$)</b>	
≤ 10,000	9.5
10,001–100,000	29.8
100,001–200,000	13.1
200,001–300,000	11.9
300,001–400,000	3.6
400,001–500,000	4.8
500,001+	16.7
N/A	10.7
<i>Total</i>	<i>100</i>
<b>Beneficiaries</b>	
Children	17.1
women groups	12.6
general population	11.5
students and youth groups	10.3
disabled persons	5.8
Farmers	5.7
HIV/AIDs victims	5.7
CBOs/LNGOs	5.8
Others <sup>4</sup>	25.5
<i>Total</i>	<i>100</i>
<b>Commercial activities</b>	
% of NGOs who generate own income	21.2

## 5.4 Findings

### 5.4.1 Commercial Activities among Cambodian NGOs

During the last few years, commercial activities among Cambodian NGOs increased from 6% in 2006 to 21% in 2012 (Khieng, 2013). NGOs generate income mainly from tourism and hospitality, education and vocational training, and agriculture and fishery (Table 5.3).

**Table 5.3: Categories of Commercial Activities**

Main categories	Examples of specific activities
Tourism and hospitality	Handicraft and souvenir shops, coffee shops and restaurants, hotels, performing arts (traditional dance, orchestra and circus), visual art galleries
Education and vocational training	School fees, fees from English and computer training courses, subject specific tutoring, vocational training courses (e.g. sewing classes)
Publications and media	Sales of NGO reports, books, magazines, t-shirts, DVDs, radio spots
Agriculture and fishery	Rice farmer cooperatives, rice farms, organic and fair trade produce, poultry and domestic animals farms, fish farming
Consultancy	Bidding for government projects, research and training consultancies
Volunteer	Fees and contributions from international volunteers
Microcredit	Rice bank, micro and group loan, self-help and saving groups
Health	Fees from clinics, family planning, medical consultancy, and medical tests
Others	Data processing, construction, electronic equipment maintenance and repair, IT solution, wheelchair sales, legal consultancy, event organising, translation, well construction and maintenance

The effects associated with the commercialisation within the sector are uncharted territory among nonprofit sector scholars based in the region. In this section, we aim to bridge this gap by looking at the selected indicators as identified and summarised in Figure 5.1 in order to assess the effects that commercial activities have on NGOs; in particular, their goals, motives, methods of running the organisation, distribution of income, accountability and sustainability aim.

#### **5.4.2 Effects on the Goal of Organisations**

The first indicator of interest is how commercialisation affects the goal and mission of NGOs. In general, NGOs have been capable of aligning their activities to their goal. However, there are indications that, besides providing an income for their beneficiaries, NGO leaders also try to achieve their sustenance of their organisation. In other words, their value creation now consists of not just the social but also the economic or financial dimension. In this process, they try to strike a balance between the two diverging objectives. This poses major challenges as the following case illustrates. One NGO that provides technical and vocational trainings in many provinces of Cambodia experienced some benefits when its management introduced a fee as the result of reduced external funding, as its director relates:

Yes, the difference is that in the past attendance of community members was large because it was free. At the same time, it was quite chaos in each classroom. Now with the fee introduced, they seem to have more disciplines. This implies that when they pay, they expect something back and they cannot just come without clear a purpose. Also, they tend to be using our computer lab more productively (SE15).

But there were also negative effects. As the NGO director reveals, the NGO has lost some of its students as a consequence of the introduction of fees. In this case, various programmes of the NGO are currently scaled down to cater toward only those who can pay the fee.

### **5.4.3 Effects on the Motives of Organisations**

The commercial turn among NGOs is overwhelmingly motivated by challenges in sustaining the organisation and ongoing projects in the face of an increasing competition for declining resources. More than 50% of the NGO leaders interviewed indicated that sustainability is their foremost concern. However, the motivation for NGO leaders to engage in commercial activities extends beyond solely generating funding to sustain the organisations and their communities; they also seek to gain ownership and autonomy. Consequently, the aspiration to become more self-sufficient and self-reliant enables NGO leaders to initiate new programmes independent of conventional funding sources and, by so doing, avoid stringent terms and conditions imposed on them by their institutional donors. The commercial activities can become as critical to their independence as they have become embedded in their mission. The increasing push towards self-financing activities further promotes the NGOs' capacity to negotiate terms of collaboration with their donors and thus to achieve organisational autonomy.

Other justifications for commercial activities are to create training venues, and provide employment and income for community stakeholders they work closely with. Many of the social enterprises such as restaurants, schools, health clinics, and handicraft shops, established by these NGOs aim to provide vocational and technical skills as well as on-the-job training and employment for women, youth and former street children, and disabled people. These skills and hands-on experience are important to prepare them for reintegration in their communities and to build an independent livelihood through either job placement programme or starting up their own business (Table 5.4).

**Table 5.4: Why NGOs Are Engaged in Commercial Ventures**

Why NGOs started earned income? (# of responses)	Exemplary quotes <sup>5</sup>
Sustainability (24)	<ul style="list-style-type: none"> <li>- This social enterprise is less about our organisation but our aim is to create a sustainable livelihood programme for communities. When the communities are sustainable, our programmes are sustainable too and so is our organisation. When our organisation is sustainable, we can run even without donor funding (SE3).</li> <li>- Our reason is mainly based on our study of the donor tendency. The result was that in order to sustain our organisation and the communities we work with, we had to do something. We need to sustain our organisation so that we can reach other target communities in other provinces (SE6).</li> </ul>
Training venues and employment for beneficiaries (7)	<ul style="list-style-type: none"> <li>- First, we opened it in 1998 as a TVET training programme. But then we opened the restaurant to provide training centre for the trainees and to generate some incomes to become more self-reliant. So it's good for both the students and our organisation (SE29).</li> <li>- The main intent it to sustain the programme. As a nation, we must not depend on external aid forever. So we teach our communities to have independent livelihood by generating employments and establishing their own businesses (SE3).</li> </ul>
Income generation for beneficiaries (5)	<ul style="list-style-type: none"> <li>- Our objective is to encourage community to sustain their livelihood through income generation activities (SE1).</li> <li>- We established farmer cooperative to generate income for the members of the group (SE6).</li> </ul>
Ownership and autonomy (5)	<ul style="list-style-type: none"> <li>- Our mission statement clearly states “Khmer must stop asking for donations. We must be strong, stand up and walk on my own” (SE23).</li> <li>- The establishment of this organisation is not really to seek donor funding. First, we want to have our own income from microcredit programme for us to stay independent. The income helps support 4–5 of our staff (SE10).</li> </ul>
Self-reliance and self-sufficiency (4)	<ul style="list-style-type: none"> <li>- We borrowed money to make our programme responsive to the needs of the community. This is because if we ask for donations, we must follow them [their conditions]. With our loaned money, we can decide ourselves (SE36).</li> <li>- The organisation was established to be a vocational training class... then we thought that we must be more self-sufficient. Although we can't be 100% self-funded, it [the income] can help us to some extent (SE29).</li> </ul>
Others (3)	<ul style="list-style-type: none"> <li>- It's a project of the NGO, which is not to seek profit. The income is minimal comparing to the expenditure. The income is to support staff salary and operation costs (SE6).</li> </ul>

#### 5.4.4 Effects on the Methods of Organisations

Commercial activities impact on NGOs in manifold ways. Structurally, NGOs have both expanded in scale and have become more business-oriented. This is manifest, for instance, by the increase of (social) marketing staff. More and more established organisations separate their business activities from the parent NGO by hiring a business manager or director to be in charge of the business. More far-reaching is the transformation of traditional nonprofit establishments into quasi-for-profit organisations. As they grow, these organisations become more decentralised as responsibilities increase. NGO leaders have to share responsibilities

with staff. At the same time, management professionalises and rules and regulations, policies and procedures are put in place.

The push towards increased accountability also includes access to enhanced human resource capacity. The NGO leaders in our example comment that their staff improved their skills in administration and financial management. However, these transformations are accompanied by challenges, such as the lack of business background, skills and entrepreneurial mind-set as well the lack of legislation on NGO commercial engagement and social enterprise (Table 5.5).

**Table 5.5: The Effects of Commercial Activities on the Methods**

Effects on the methods? (# of responses)	Exemplary quotes
More business-oriented (10)	<ul style="list-style-type: none"> <li>- An important change is our staff because our engagement in income generation demands more of their commitment, motivation and capacity. We need to have a business or market strategy to work with our partners (SE33).</li> <li>- We have a business manager to focus solely on the organisation's finance and administration of the business (SE40).</li> <li>- May be the only change is that we have a social marketing team (SE38).</li> </ul>
Governance (6)	<ul style="list-style-type: none"> <li>- More decentralised now, with more staff meeting and more delegations toward lower level staff. (SE27).</li> </ul>
Cross-cutting issues: Improved management practice, administration and financial systems (4)	<ul style="list-style-type: none"> <li>- Now we see that if we want to increase income, we will change too much our way of working then we [decided to] separate the business from [SE32]. Within 11 years we built stronger financial system so this is changing but it's not ... only because we earn income... it's because our organisation is developing in Cambodia, and there's more and more skilled staff and when [SE32] becomes bigger and bigger we need more transparency etc. Then we improved our financial system, our human resource system, our regulation system, our policies within the last five years (SE32).</li> </ul>

#### **5.4.5 Effects on the Distribution of the Organisation's Income**

Expenses on the administration, operation as well as salary constitute the biggest share of how income from commercial activities is used. However, beneficiaries, communities and other stakeholders also receive the effects from commercial activities through social programmes, income and employment. Some organisations invest 100% of the income to help vulnerable social categories, while others allocate a substantial part of their income toward social projects. In addition to community social programmes, social entrepreneurship also contributes significantly to income generation and micro and small business start-up of community members. Income for beneficiaries is the second major justification why NGOs started their businesses. Trainees and other beneficiaries of several social enterprises in our

sample (e.g. SE1, SE3, SE38 SE40 and SE42) receive financial support to start their own businesses. This support can take the form of a monthly deposit into the beneficiary's savings account or interest-free loans, assistance with technical support and regular follow-ups to ensure the start-ups sustain a success (Table 5.6). Overall, the non-social expenses tend to outweigh the budget allocated for social programmes.

**Table 5.6: How Earned Income Is Distributed**

How is self-generated income distributed? (# of responses)	Exemplary Quotes
Administrati on and Operation (24)	<ul style="list-style-type: none"> <li>- Actually, the income we generate is barely enough to cover the basic expenses such as materials and labour cost. Other expenses include administration and certificate printing (SE11).</li> <li>- We sometimes use the income for administration costs because donors do not like to fund these and it is a problem for at least 95% of the organisations in Cambodia (SE6).</li> </ul>
Social programme (15)	<ul style="list-style-type: none"> <li>- Our status is nonprofit and NOT for-profit, but it does not mean that we do not need to make a profit. Our idea is also to generate revenue for expenses on scholarship for our trainees. Fifty percent of our actual expenses is on social programme for students (SE13).</li> <li>- Our first priority is to sustain our association and then we use it for our social activities (SE15).</li> </ul>
Income for beneficiaries (4)	<ul style="list-style-type: none"> <li>- We use it [the income] to share equally among the youths. Also, we have a saving bank account for each of the 60 students and they have a \$5 deposit into their account each month for their saving until they graduate (SE7).</li> <li>- The income we generate from our businesses is returned back to the main beneficiary groups [women] who make the products. The rest is used to invest into our social programme to support the women and children (SE29).</li> </ul>
Reserved fund (12)	<ul style="list-style-type: none"> <li>- Almost all donors have a one-year grant agreement with us. Thus, we don't know if they will continue funding the organisation in the following year. This is especially problematic for our communities and staff, so we've got to have some reserve fund to cover for at least six months after donor money dries up. Also, sometimes we use this reserve to cover when donor funding is late as well as in case of emergency (SE6).</li> </ul>
Salary (11)	<ul style="list-style-type: none"> <li>- When you buy a product at [SE24], basically if you pay \$50, you have 25\$ going back to the village. About 12\$ is for labour (production cost), and about 12\$ is for profit to support social activities. We have another half, the other 25\$ is actually to buy the materials, the fabrics to make this quilt we need to buy cotton... (Raw materials). And then another 12\$ is to support the salary of the shop, administration, rent etc. So basically, 4*25% equally shared (SE24).</li> </ul>
Stakeholders and director (4)	<ul style="list-style-type: none"> <li>- We have about 40%-50% left after all expenses of the project implementation. We then hold a meeting to share percentage of the benefits based on actual works and responsibilities (SE31).</li> <li>- Of course, we have to pay back to the [social] investors. Actually we will sign in July (2012) with Grameen Foundation who has a joint programme in France (can't recognise the name), the biggest social investor in France. We are discussing for USD700,000 and part of it as a share and part of it as a loan. ... So we are still looking for investors (SE32).</li> </ul>
Others (9)	<ul style="list-style-type: none"> <li>- The income we generate is used to convince our donors that we have matching fund available, for example if they can fund \$100,000, we will match that by \$10,000 and that means that their donation is \$110,000 (SE33).</li> </ul>

#### 5.4.6 Effects on the Accountability of Organisations

In the context of Cambodia, where the governance system is weak, accountability in NGO governance is critical. Our data suggests that NGOs with funding from grants and donations are most accountable to, in order of importance, their donors, beneficiaries and local authorities. NGOs with earned income are most accountable to their beneficiaries, donors, and line ministries. Another less visible but equally important effect relates to transparency. Commercialised NGOs tend to be more transparent to their staff and beneficiaries than externally funded NGOs. Transparency is also seen in decision-making processes in which senior management consult with their staff and beneficiaries on important project ideas and future direction of the organisation. As one of our interviewees relates:

... The director did not want to show the account, financial statement to the team because it was just uncomfortable. The situation was bad but nothing was wrong, but then we told him, please inform! Everybody didn't understand what is going, why we reduced the fund... The first thing I did when I became [acting] director last year is full meeting with a hundred people, staff and artists, showing our record and taking hours to explain exactly what it is. So this is what we did to change to make people from a situation with a lot of misunderstandings and on what is stressful and to make people more comfortable and more supportive. (SE32)

#### **5.4.7 Effects on the Sustainability Aim of the Organisation**

As discussed earlier, sustainability is the principal reason for NGOs to commercialise. In fact, many NGOs have started to find ways to generate their own income in response to reduced donations and grants from abroad (Table 5.7). In effect, these NGOs are seeking both programme and economic sustainability to ensure the continued operation of their organisation. A few NGOs mentioned that their business enables them to remain active and retain staff during times of financial crisis.

**Table 5.7: Effects on the Sustainability Aim**

Sustainability aim (# of responses)	Exemplary quotes
Responding to funding challenges (15)	- The general policy of many Cambodian NGOs in the next 5-10 years is to start thinking about how to sustain their programme in the future when they face with challenges in resource mobilisation from foundations. And the idea for sustainability and reduction for donor dependence is that NGOs can raise their own fund and generate their own income. And that the reason why [our NGO] started this programme too, NOT to make a profit but to help the society and to support the programme to be sustainable in the future (SE37).
Reliable and unrestricted (9)	<ul style="list-style-type: none"> <li>- It [social entrepreneurship] is sustainable. If we received external money, it's not stable but with our own money, whatever amount, we always have activities. This means that [social entrepreneurship] never dries up... If we depend on external money, we wouldn't be able to survive without it and staff would be laid off (SE3).</li> <li>- Earned income is our favourite income because it does two things: For one, I don't have to spend anytime begging for it. Our mission is not to ask for money, our mission is to create and present dance. So if we're creating and presenting dance and getting paid for it, we're earning income from doing our mission. But if I have to write grant proposal, I'm spending my time for money to do our mission. The other thing is that earned income is unrestricted (SE21).</li> </ul>

#### 5.4.8 Significance of the Six Indicators

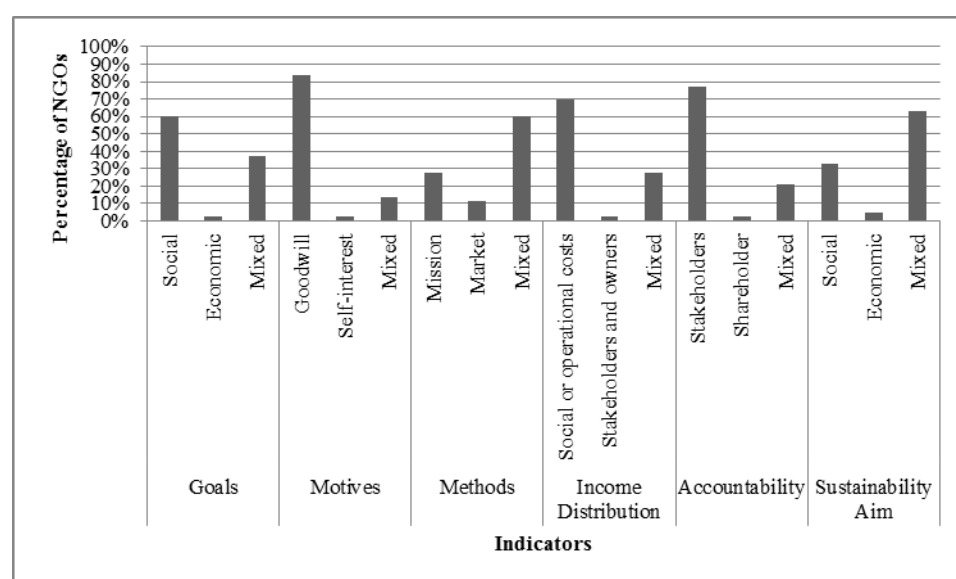
We conducted an analysis on each of the six indicators of the social enterprise spectrum for every NGO, classifying them into three broad categories that vary per indicator. On the *goal*, we classified the NGOs in our sample as dominantly concerned with social value creation, economic value creation or both. On the *motive*, NGOs were classified in terms of their appeal to goodwill, self-interest or mixed motives. Similarly, NGO missions were marked as *mission-driven*, *market-driven* or balanced mission between market and social. On *income distribution*, NGOs were classified according to whether it is reinvested into social programme or operational costs, shared among stakeholders and owners, or a mixture of both. On the *governance* indicator, NGOs were classified in terms of their principal accountability to stakeholders, shareholders or both of them. For the *sustainability* indicator, NGOs were classified according to the type of sustainability they attempt to achieve: social sustainability, economic sustainability, or a balance between the two. Overall, the outcome for each indicator is summarised in percentage points in the graph (Figure 5.2). Please find the full analysis in the appendix.

The results indicate that on the goal indicator of the social enterprise spectrum, close to 40% of the NGOs had integrated the economic aim in the activities of their organisation, resulting in a mixture of social and economic value creation. NGO leaders are mostly (85%)



motivated by the aim to help disadvantaged groups of people, such as widows, disabled persons, former trafficked people and street children. There is an emerging trend among NGOs (15%) to include personal benefits as well. In terms of methods, a sector that was once very much mission-driven has come to respond to both market and mission, as evidenced by the 60% of NGOs adopting such operational methods. Income from the commercial activities, as discussed earlier, is distributed to the beneficiaries and some social investors (30%), while a high percentage of the income is reinvested in social programmes and operational costs of the NGOs (70%). In terms of governance, NGOs are accountable to not only their traditional stakeholders (77%) but also, to a lesser extent, to social investors (shareholders) and members (e.g. cooperative members) who provide capital for the NGO businesses. The sustainability aim is shifting away from purely social to a mixture of both social and economic sustainability.

**Figure 5.2: NGO Commercial Activities**



## 5.5 Discussion

Our research findings provide the much-needed empirical evidence for the often-cited claim that “the need to build a sustainable organisation” among NGOs has led to the adoption of “entrepreneurial and business-like strategies that are aimed at achieving greater financial stability” (Weerawardena et al., 2010, pp. 351–353). The strong evidence for declining grants and donations spawning the commercial turn of NGOs represents a contribution to resource

dependence theory where commercial ventures are “a replacement strategy” for reduced traditional forms of funding (Child, 2010; Kerlin & Pollak, 2011).

Drawing on Mitch (2012) and Batley (2011) for funding strategies of NGOs, our study is in line with the proposition that NGOs depending on earned income are more likely to adopt innovative tactics in dealing with donors to avoid being driven largely by their agenda or conditions. Some of the NGO leaders in our sample are able to negotiate favourable terms of collaboration with donors because they have access to self-generated income. In effect, these organisations have been able to maintain their autonomy and independence from donor influence. The results of this study provide evidence of a positive association between organisational autonomy/independence and commercialisation. This particular finding contradicts existing studies, such as those by Mitchell (2012), that have not found any clear evidence on this positive effect.

While succeeding in achieving the sustainability aim, commercial activities have a far-reaching transformative effect on the definition of other indicators in our sample: goals, motives, methods, income distribution, and accountability of the NGOs. Most commercialised NGOs operate like for-profit firms and are driven by a blend of mission and market. The findings support existing literature that argues that commercialisation helps NGOs to redefine their mission, balancing between social and economic value creation (Weerawardena et al., 2010). In this regard, our findings tend to underscore earlier propositions (Swanson & Di Zhang, 2010) that social and financial objectives do not need to clash with each other. They are, in fact, potentially synergetic.

This study also contributes to the understanding of the effects of commercialisation on NGO governance. As has been noted, the governance of civil society organisations in Cambodia is generally lacking in transparency and accountability. Commercialised NGOs represent the beginning of more professionalised and standardised management practices among the local NGOs contributing to more transparency and accountability.

Moreover, this study contributes to literature on sustainability issues by addressing the process of commercialisation and the various strategies NGOs in three areas: people, profit and, to a lesser extent, the environment (Elkington, 1998). Our findings show that, while aiming at sustaining the organisation as such, the commercial activities displayed by the NGOs in our sample also promote community and environmental sustainability. The increasing number of

NGO-initiated business start-ups testifies to the struggle for community sustainability. The effects on the programme sustainability and benefits for communities also relate to how community issues can be solved through social entrepreneurship. A common perception found among the social entrepreneurial organisation leaders in our sample is that their organisations were not created to seek donor money but to be self-sufficient and sustainable through income generation. Environmental sustainability is the aim of a number of commercially active NGOs attempting to achieve a reduction in their carbon footprint and their water and electricity consumption.

Along with preferable effects, we have found that social entrepreneurship has also produced unintended negative consequences. We observed that among a few NGOs engaging in commercial activities, “the social was being pushed aside”, which aligns with the findings by Seanor et al. (2013, p. 338). There is some evidence that, for the majority of the commercialised NGOs, more income is spent on the operational costs and organisational management and less on social projects. Overall, the NGOs in our sample were aware of this risk and made attempts to avoid it. The findings present a mixed picture of many positive effects and some drawbacks of commercialisation in the NGO sector. Future research will have to investigate this issue of potential mission drift and associated negative effects in order to produce more conclusive findings. Such information will prove invaluable for NGO leaders and development practitioners who are seeking to engage in social entrepreneurship. Not only do they need to be aware of potential pitfalls and risks of commercialising NGOs, but also they need to be advised how to minimise and manage these potentially detrimental effects (Di Zhang & Swanson, 2013).

In summary, it is important to differentiate between two forms of commercialisation among the NGOs. The first form of commercialisation simply cross-subsidises or generates income to fund the social objectives of NGOs. In this case, there is not much value addition besides the revenue generated. The danger of mission drift looms in this category. The second form of commercialisation is not only social in itself but also brings about innovation, an entrepreneurial spirit and the prevalence of social values to the sector. Most of the NGOs in our sample match the first type. However, NGOs of the second category, while still a tiny minority, hold the promise of revitalisation and generation of alternative business models that may provide the mushrooming Cambodian economy a competitive advantage in the long term.

## 5.6 Conclusions

In Cambodia, where informal businesses dominate the economy, the scale and scope of commercial activities among NGOs is an important indication of the incipient transformation of the nonprofit sector. A turbulent external environment characterised by increasing competition for declining donor-funding forces NGOs to develop strategies for sustaining their organisation and, at the same time, achieves their social mission. Our study contributes three distinct findings to the burgeoning literature on the commercialisation processes in the nonprofit sector. First, at the organisation level, NGOs have experienced positive effects of commercialisation, such as improved governance, a better financial and administration system, improved efficiency, and more autonomy and independence. Second, at the community level, communities accrue benefits, including improved services, vocational and technical training, employment and income generation although such impacts may not be easily assessed. Third, at the national level, there are indications of a potential transformation of the development paradigm. The resourcing of development programs shifts from donor-funded, and, therefore, foreign dominated, to locally initiated and supported by various forms of social and conventional entrepreneurship. This transformation may have significant implications for the development practice in Cambodia. The findings confirm that commercialisation among NGOs promotes self-reliance and, at the same time, a shift away from the traditional development approach implemented by the NGO community and their patron donors towards a more sustainable model of development (Cooperation Committee for Cambodia, 2010). In addition, the findings support the idea that commercial activities reduce the dependence on donor funding while enhancing resource diversification and organisational autonomy (Cooperation Committee for Cambodia, 2012). This reduced donor dependence as well as the increased self-sufficiency can be a competitive advantage for social entrepreneurial NGOs because some donors avoid long-term grantee dependence on external funding (Kerlin, 2009). Equally important is that social enterprise may contribute to the emergence of an “entrepreneurial spirit” not only among NGOs but also among the communities and society at large (Kerlin, 2009).

Social entrepreneurship promotes the emergence of a variety of grassroot organisations, such as social enterprises, cooperatives, farmer associations, women associations, saving groups, self-help groups, community enterprises, micro and small businesses and socially responsible businesses. Despite the similarity of goods and services

they offer, these organisations are ‘new’ in the sense that they are based on local initiatives that respond to community needs. The fact that these organisations depend on local resources and self-generated income distinguishes them from the more traditional forms of NGOs that have almost exclusively been supported by foreign aid. They are innovative because they offer a new combination of social and economic values to the civil society sector. The governance practices of social entrepreneurial NGOs are equally unprecedented as they encourage active participation of their board members and promote transparency and accountability. This latest development, despite being rather small in scale, has potentially huge implications that may change the defining characteristics of NPOs in Cambodia. Improvement in governance coupled with the contributions to the poverty reduction and community economic development by this new grassroots movement will help address the accusations put forward against Cambodian NGOs of not representing their local constituencies and propping up Western agendas instead.

The findings on the effects of commercialisation among NGOs in Cambodia should serve as a call to policymakers to accelerate changes in the legal framework in order to facilitate the emergence and development of the nonprofit sector as suggested in earlier studies (Kerlin & Pollak, 2011). Previous studies (Kim and Cho, 2009; Sriram et al. 2007, as quoted in Di Zhang and Swanson, 2013 p. 122) suggest that government interventions and “a sound policy environment” with rich informational and financial opportunities stimulate and enhance social enterprise start-ups and entrepreneurial success. Specifically, the current draft law governing NGOs and Associations should include detailed clauses on commercialisation of NGOs and social enterprises. Similarly, the law on taxation regarding NPOs should be revised to support the growth of social enterprises and other similar forms of organisations.

## **Endnotes**

- 1) In this article, we use both the term non-profit organisation (NPO) and non-governmental organisation (NGO). The two are not entirely the same, although the two categories often overlap. NGOs can be seen as a type of NPO.
- 2) The latest NGO census in 2012, conducted with the Cooperation Committee of Cambodia (CCC) in tandem with this study, indicates that approximately 1350 NGOs are currently operating in Cambodia.
- 3) “Others” includes disability and rehabilitation, water and sanitation, research and consultancy, business/organisational development, religion/faith, providing grants to NGOs/CBOs.
- 4) “Others” includes indigenous people, drug users, religious groups, land conflict communities, policymakers, prisoners, union members, homeless people, elderly people, victims of human trafficking and sex workers.
- 5) Most quotes were translated from Khmer (Cambodian language).

**Appendix: Analysis of NGO Commercial Activities**

NGOs	Date of Interview	Commercial activities	Goals			Motives			Methods			Income Distribution			Accountability			Sustainability Aim		
			Social	Economic	Mixed	Goodwill	Self-interest	Mixed	Mission	Market	Mixed	Social or operational costs	Stakeholders and owners	Mixed	Stakeholders	Shareholder	Mixed	Social	Economic	Mixed
SE0	12-Mar-2012	Marketing services, handicraft shops			X	X					X	X			X					X
SE1	23-Apr-2012	Micro-credit and saving groups			X	X			X			X			X					X
SE2	12-Mar-2012	Producing wheel-chairs and spare parts	X			X					X	X			X					X
SE3	12-May-2012	Restaurants, handicraft and souvenir shop, English and computer schools			X	X					X				X	X				X
SE4	12-Mar-2012	Well and toilet construction and maintenance services			X			X		X					X			X		X
SE5	9-Apr-2012	Producing IEC materials, including radio spots, TV spots, TV and radio shows, organising	X			X					X	X			X					X
SE6	26-Mar-2012	Rice mills, farmer cooperative, microcredit			X	X					X				X			X		X
SE7	26-Apr-2012	classical dance and music band, tailor shop, handicraft shop	X			X					X	X			X					X
SE8	9-Apr-2012	Legal services	X			X					X	X			X					X
SE9	11-May-2012	Short course vocational training	X			X					X	X			X			X		
SE10	24-Apr-2012	Microcredit, pig farm, fish and chilli sauce factory			X			X		X					X			X	X	
SE11	13-Mar-2012	Soft-skills training	X			X			X			X			X			X		
SE12	1-Nov-2011	Second-hand furniture and clothe shops	X			X					X	X			X			X		
SE13	20-Mar-2012	Survey processing, digitisation and related IT services	X			X					X	X			X					X
SE14	23-Mar-2012	Rice and vegetable farms, livestock farms, agricultural machinery rental			X			X			X				X			X		X
SE15	6-Mar-2012	Handicraft shops, traditional dance and music band services			X	X			X			X			X					X
SE16	25-Apr-2012	Tailor shop, handicraft shop, drama and musical performances, IT services			X	X					X	X			X			X		
SE17	15-Mar-2012	Consultancy and training services	X			X			X			X			X			X		
SE18	10-May-2012	General education, agriculture farms rental	X			X					X	X			X					X
SE19	2-Mar-2012	English and computer training	X			X			X			X			X			X		
SE20	26-Mar-2012	Home tutoring, translation services, English and computer classes...			X			X		X					X			X		X
SE21	19-Mar-2012	Classical dance performance and tours, sales of media and books	X			X					X	X			X					X
SE22	24-Apr-2012	Handicraft, rice paddies, office and equipment rental	X			X					X	X			X			X		
SE23	21-Mar-2012	Electrical repairing, rural electricity service provider, electrician training			X			X	X						X			X		X
SE24	25-Feb-2012	Handicraft shops	X			X					X				X	X				X
SE25	9-Mar-2012	Restaurants, constructions, electrical repairing	X			X					X	X			X			X		
SE26	10-May-2012	Training and consultancy service			X			X		X					X			X		X
SE27	27-Apr-2012	Hosting 'responsible tourist', medical clinics, livestock raising, fish ponds, sales of VCDs, t-shirts	X			X			X			X			X					X
SE28	26-Apr-2012	shop, restaurant, hotel, and tourism and training school	X			X			X			X			X			X		
SE29	29-Mar-2012	Handicraft shops, restaurant and guesthouse	X			X					X	X			X					X
SE30	16-Mar-2012	Dental and medical services, guesthouse, transport service	X			X			X			X			X			X		
SE31	11-May-2012	Agriculture related services and training		X				X		X						X			X	
SE32	21-Apr-2012	Circus, production company, graphic design studio, animation studio, visual art galleries			X	X					X				X			X		X
SE33	30-Mar-2012	Sales of print media	X			X					X	X			X					X
SE34	16-Mar-2012	Training services and sales of publications	X			X			X			X			X			X		
SE35	5-Mar-2012	Guesthouse, schools, and mini-bar	X			X					X				X	X				X
SE36	23-Apr-2012	Microcredit, rice banks, saving groups			X	X					X	X			X					X
SE37	2-Mar-2012	Volunteer placement services	X			X			X			X			X			X		
SE38	24-Apr-2012	Well construction and maintenance services			X	X					X				X			X		X
SE39	26-Apr-2012	Classical music performances	X			X			X			X			X			X		
SE40	27-Apr-2012	Restaurant, handicraft and boutique shop	X			X					X	X			X					X
SE41	15-Mar-2012	Radio spots and media-related services	X			X					X	X			X					X
SE42	19-Mar-2012	Livestock farm, rice paddies, handicraft shop			X	X					X	X			X			X		
<b>Total</b>			<b>26</b>	<b>1</b>	<b>16</b>	<b>36</b>	<b>1</b>	<b>6</b>	<b>12</b>	<b>5</b>	<b>26</b>	<b>30</b>	<b>1</b>	<b>12</b>	<b>33</b>	<b>1</b>	<b>9</b>	<b>14</b>	<b>2</b>	<b>27</b>

## CHAPTER 6

### 6 OVERALL DISCUSSIONS AND CONCLUSIONS

Empirical evidence in the five preceding chapters has shown that NGOs in Cambodia have experienced profound impacts brought about by the process of commercialisation. I start this concluding chapter by briefly reviewing the research findings on the processes and impacts. Subsequently, I provide an integrated discussion, proposition development and an outline of the dissertation's contributions to nonprofit and social entrepreneurship research. This is followed by development and policy implications. Before concluding the chapter, I will discuss the dissertation limitations, reflect on its methodology and draw some suggestions for future research.

#### 6.1. Review of Key Findings

The overarching aim of this research was to study the emerging process of commercialisation in the nonprofit sector in Cambodia. Specifically, the dissertation addressed the following research questions:

- 1- What role does social entrepreneurship play in NGOs' resource diversification?
- 2- What are the different resource diversification strategies mobilised by NGOs in Cambodia?
- 3- In what ways do different funding strategies affect NGOs and their programmes?
- 4- In what ways do commercial activities impact on different organisational indicators, as perceived by the NGOs managers/entrepreneurs and to what extent does this form a model of social entrepreneurship?

The findings were presented in four separate but interconnected articles. The dissertation emerges from and responds to the underlying challenges NGOs face in mobilising their resources. To address the first research question, I reviewed the theoretical debate on the benefits and disadvantages of NGOs' funding diversification strategies. There are various effects that derive from the social entrepreneurial approach some NGOs adopt to generate income to sustain their activities. Among the beneficial effects are increased organisational autonomy and reduced donor-induced goal displacement. Social entrepreneurial NGOs also have more incentives to be more accountable to their beneficiaries



because they have now become ‘clients’. Nevertheless, NGOs’ social missions may be compromised as results of prioritising commercial ventures.

At the empirical level, the dissertation has mapped key facts and figures on the three strategies that NGOs use to mobilise resources, which corresponds to research question 2. The data shows that NGOs in Cambodia have diversified their sources of income to become less dependent on international grants and donations, which has been substituted mostly by an increase in self-generated income and to a degree by government funding. This diversification process brings both benefits and adverse effects to NGOs (research question 3). Grants and donations are more unpredictable, and depending on these sources contribute to goal displacement and top-down accountability; it is also negatively associated with organisational autonomy. Alternatively, receiving revenues from commercial activities, especially those closely related to the NGOs’ mission, increases autonomy and promotes a bottom-up approach. However, many NGO managers find it very challenging to balance social and economic values. Through (social) entrepreneurship, they may risk losing their focus on fulfilling their mission and risk excluding some beneficiaries. Government funding to NGOs in the form of a government contract poses negative consequences, such as losing sight of an NGO’s mission. Overall, it is imperative for NGOs to have a diverse range of funding sources. Because each funding strategy has its own drawbacks, it is important that NGO leaders are able to manage risks and related effects, increasing the effectiveness and efficiency of their work.

Among the diversification strategies used, NGOs’ engagements in commercial ventures and (social) entrepreneurship and the associated effects specific to this approach (research question 4) is very revealing. NGOs’ marketing and commercialising of social services has led to many important changes within the nonprofit sector. The NGOs’ main aim is to use the income generated from their (social) businesses to cross-subsidise and generate multiple sources of income for their organisations. In this process, it is evident that the goals have now shifted from a single value to a mixture of social and economic values. For example, the market forces also drive how these traditionally mission-driven NPOs operate. Their modes of operation resemble that of a business corporation, indicating a new hybrid form of not-for-profit and for-profit organisations. A positive outcome is that commercialised NGOs tend to be more transparent and accountable to their beneficiaries as well as more responsive to their needs when compared to NGOs that are dominantly dependent on grants.

Yet, NGOs risk excluding intended beneficiaries who cannot pay and deprioritising their social mission.

## **6.2. Overall Discussions, Propositions and Contributions**

### **6.2.1. Overall Discussion and Propositions**

An integrated analysis of the findings from the various studies presented in this dissertation provides important insights into the process of commercialisation among the nonprofit sector in Cambodia. While some of these insights concur with existing literature on the topic, there are a few significant divergences. To put the discussion into perspective, these insights can be viewed at two different levels: micro (organisation), and meso (sector). To contribute to theory building and conceptual literature on the topic, a proposition is put forward at the end of each key discussion.

At the organisation level, NGOs struggle to sustain their operation in times of reduced funding from institutional donors and increased pressures to deliver their mission. While a few have turned to government funding and contracts for support, many have responded by moving into the less-familiar path of commercialisation and social entrepreneurship, which has had many implications. The research revealed that such methods of diversifying income sources has assisted NGOs in reducing their dependence on a particular source, which is in line with Pfeffer and Salancik's (2003, 1978) findings.

*Proposition 1: Due to reduced funding from overseas, NGOs diversify their sources of funding particularly into commercial ventures and social entrepreneurship to gain financial sustainability and organisational autonomy.*

Interestingly, social entrepreneurial activities also help to draw more donor support, an effect that validates existing literature by Defourny et al. (2010, p. 41). However, it refutes an earlier claim made by Young (1998), who suggested the opposite—in what he characterised as a “crowd-out effect” (p.216).

*Proposition 2: Through self-generated income and social entrepreneurship, NGOs are able to attract more donor funding and support rather than relying on donations and grants alone.*

In addition, the improved accountability and transparency associated with entrepreneurial NGOs is an added value that many of their peer organisations lack. These

effects may be the result of pressure from NGOs' staff and beneficiaries to show how earned income is spent. Findings on these effects were not widely debated in existing social entrepreneurship literature. Among the few studies, one suggested that accountability be included as a key characteristic of social enterprise (Wolk, 2008). Accountability can be hard to characterise in social entrepreneurial organisations due to their dual bottom-line and the multi-stakeholders involved (W.-J. Wang, 2009). However, accountability towards intended beneficiaries and the public is critical precisely where charity-dependent NGOs are only liable largely to their patrons (Weerawardena et al., 2010).

*Proposition 3: Beyond securing financial sustainability, the social entrepreneurial strategy adopted by NGOs has improved the accountability and transparency of NGOs toward their beneficiaries.*

The findings at the nonprofit sector level have revealed some contrasting insights. This sector, which was initially established, supported and promoted by foreign initiatives and actors, has begun to change. It can be concluded that there is a paradigm shift from Western dominated resources to locally embedded resources. Particularly, NGOs are increasingly relying on earned income and partnership with the private sector and are becoming more self-sufficient and responsive to local needs. This development marks an important shift for a developing country like Cambodia because it also implies that donor dependence, whether economically, politically, or ideologically, may become less relevant.

Similarly, the process transforms the donor-NGO-beneficiary relationship. Beneficiaries are now empowered to participate; to ask and voice their opinions regarding the services they receive and the development projects in their community. NGOs are pressured to be accountable to the beneficiaries who have now become 'clients'. Donors may not have as much influence on NGOs since the NGOs have their own source of revenue. Importantly, this finding has not featured in mainstream discourse on the effects of NGOs embracing social entrepreneurship in the context of developing countries. The process has enabled NGOs to build more sustainable organisations and continue their roles in delivering public goods and services, which disproves the idea that social entrepreneurship may tamper with such roles (Haugh, 2007). Hence, this study substantiates an earlier proclamation that such method of service delivery "promotes local ownership and networks of trust" (Lyne, 2008:178).

*Proposition 4: NGOs embracing social entrepreneurship have the potential to avoid the negative consequences of depending on external aid, including the lack of local ownership and responsiveness to local needs.*

The emergence and prevalence of (social) entrepreneurial organisations is associated with the government's, the market's, and, in some ways, the NGOs' failures to address social and environmental problems (Lepoutre et al., 2013). Put it differently, the "institutional voids" (Mair & Marti, 2009) in Cambodia provide the foundation for the growth of social enterprise. These 'new' organisations provide services to clients with disabilities or those who live in remote and impoverished areas. The subnational government agencies do not benefit these people; the private sector fails to cover them because it is not profitable for them; and finally, traditional NGOs are running out of funds and scaling down their operations or closing altogether.

The funding diversification process among Cambodian NGOs has resulted in various forms of entrepreneurship, some of which aim to create social value. Commercialization among some other NGOs, however, is aimed mainly to create economic values and therefore not social as such. The organisational forms that have emerged are unique to the locational context of Cambodia. Specifically, entrepreneurial activities are embedded into the larger programmes of NGOs to ease their heavy dependence on foreign aid. Similarly, the local legal framework on registration and taxation also dictate the choice of organisational forms. In Cambodia, social enterprises are not currently covered by any legislation, which could explain the embeddedness and integration of social entrepreneurial activities under the current legal framework of NGOs and associations. A few social enterprises are forced to register as businesses and thus face competition with the private sectors while receiving no preferential tax treatment despite having strong focus on social missions. This is in line with earlier suggestions that the structures and organisational forms of social entrepreneurship are associated with "the nature of the social needs addressed, the amount of resources needed, the scope for raising capital, and the ability to capture economic value" (Mair & Martí, 2006, p. 39). Therefore, the organisational forms and strategies of social enterprises are very much embedded in and shaped by local context (Kerlin, 2010; Mair, 2010).

*Proposition 5: The emergence of social entrepreneurial organisations in Cambodia is the result of weak government, social and economic institutions and the characteristics and forms of these organizations are embedded in the country-specific contexts.*

Despite many of the positive features discussed above, the emergence of social entrepreneurship among NGOs in Cambodia does cause some identity and legitimacy issues. The diverse hybrid-organisation forms of many entrepreneurial NGOs in this study put their organisation at risk of losing the “name and reputation” (Weisbrod, 2004) of the related NPO. More alarming is the finding on the small group of organisations who operate like consultancy firms to bid for development projects from local government with the purpose of profit-making. This organisational behaviour confirms Weisbrod’s (1988b) research that found for-profit organisations using NGO status to disguise their moneymaking activities in the nonprofit sector. They are neither social enterprise nor a commercial enterprise but bogus NGOs that could be part of the reason some researchers conclude that NGOs present an illusion of Cambodian civil society (Ou & Kim, 2013b).

*Proposition 6: The market approach, however, has led to some negative consequences, including the risk of excluding the poorest from fee-paying services, and losing NGOs’ traditional characteristics as a constituent of the civil society sector.*

The discussions and propositions raised so far have contributed significantly to the current academic debate on the field of and social enterprise research. Other specific contributions from the overall research findings are discussed below.

### **6.2.2. Contributions to Academic Debates**

The conceptual contribution of the study results from applying multiple theoretical lenses to understand the process of commercialisation in the nonprofit sector in Cambodia. The analytical process is built on funding diversification strategies (Froelich, 1999) and three-failure theories, which provides insight on the effects of diversification and the roles of social entrepreneurial organisations. I also use resource dependence and social entrepreneurship theories to understand the association between external pressures on NGOs

and their strategic responses (e.g. the adoption of entrepreneurial strategy) and the effects of such strategies. In this regard, the dissertation contributes to resource dependence theory.

To begin with, the study contributes to the understanding of the terms and practice *social enterprise* and *social entrepreneurship* in the developing context of Cambodia. This is significant since this novel concept is currently not well understood there (Lyne, 2008:183-184). Since most of the NGOs surveyed turn to commercialisation for reasons relating to sustainability, social entrepreneurship in this country-specific case falls into the earned-income school of thought (Defourny & Nyssens, 2010). For some organisations with explicit social motivations embedded into their enterprise, the conceptualisation can be classified in the social enterprise school of thought (Dees & Anderson, 2006). This term has the Khmer equivalence of *Sahak Kreas Sangkum* (សហគ្រាសសង្គម). Another term to describe the latter type of organisation is “social entrepreneurial organisation” (Swanson & Di Zhang, 2010; Weerawardena et al., 2010; Weerawardena & Mort, 2006). The findings signify that these organisations have a strong nonprofit status, which is largely due to the facts that they have roots in the NGO sector.

The findings present a rather mixed relationship between NGOs’ commercial activities and their missions. On the one hand, NGOs embracing this approach tend to be more capable of strengthening their mission than organisations that largely depend on foreign assistance. This striking effect contradicts many theories (Dees et al., 2002; Defourny et al., 2010; Fischer et al., 2011; Haugh, 2007; Weisbrod, 2000, 2004; Young & Salamon, 2002). Two exceptions in the literature are Frumkin (2005), who suggested that such entrepreneurial organisations can “stay more focused on the bottom-line” (p. 152), and Froelich (1999) who stated that the goal displacement effect of earned income is weak, which are in line with this dissertation’s findings.

Nevertheless, NGOs risk compromising their social goals because of their business ventures. The fact that much of the self-generated revenue fails to be reinvested in the social programme may imply that the social mission is being overlooked. Another major issue is that this strategy may exclude intended beneficiaries who cannot afford to pay service fees, a finding consistent with earlier warnings by scholars such as Weisbrod (2000) and Young (1998). This raises the question of whether the mixed outcomes could be associated with: 1) whether or not the business venture is central to the mission of an organisation; and 2)

concentration of commercial ventures in certain areas or sectors (Frumkin, 2005). These unresolved issues are beyond the scope of this dissertation and deserve further research.

In addition, this study's findings on the activities and sectoral concentration of commercial ventures, organisational and legal structure, and emergence of social entrepreneurial organisations contribute significantly to the body of knowledge on social entrepreneurship. These contributions are particularly relevant to theoretical debates, which have been dominated by conceptual articles and case studies but not based on empirical surveys (Dacin et al., 2010; Short, Moss, & Lumpkin, 2009). The dissertation extends Froelich's (1999) study on NPOs' funding diversification by revealing how NGOs adopting social entrepreneurship can build a sustainable organisation. This is another contribution to the limited scientific literature on the issues (Di Zhang & Swanson, 2013; Weerawardena et al., 2010). Significantly, the dissertation contributes to bridging the gaps between two important fields of study: NGOs and social enterprises.

Moreover, this country-specific case provides important perspectives from a developing and transitioning country context, which is an added value to the discourse that has been primarily covered by American and European scholarship representing the context of developed nations (Dacanay, 2012; Dees & Anderson, 2006; Defourny & Nyssens, 2008, 2010). The dissertation's propositions contribute to building social entrepreneurship theory, which "has not taken off in Asia" (Dacanay, 2012, p. 46). Specifically, the discussion on the potential of social entrepreneurship approach to address issues of aid-dependence (proposition 4) is almost absent in current nonprofit scholarship. Likewise, proposition 5 extends the literature on the factors that promote and characterise social entrepreneurial activities among NGOs in developing countries. In this regard, the dissertation has contributed to bridging the North–South academic gap on social entrepreneurship research.

## **6.3. Development and Policy Implications**

### **6.3.1. Development Implications**

The research has important practical, development and policy implications, both in Cambodia, the greater region and other countries with a similar background. At the managerial level, the research shows the effects of various funding mobilisation strategies for NGOs, particularly the advantages and disadvantages of embracing the marketization of social services. There are enough benefits to give NGO leaders cause to explore social

entrepreneurship, but these leaders will have to approach this avenue with serious considerations of its potential drawbacks and risks and balance the social value creations and market forces.

Other considerations include but are not limited to the NGO's expertise, the products or services they provide, the sector they engage in, the type of community they serve and the legal framework. For instance, it is important for NGO managers to ensure that they have skilled human resource and expertise in their planned business venture. While some products and services are easier to commercialise (e.g. handicrafts, solar products, or vocational training courses), others, such as health or legal services, may be harder to charge a fee for. Generally, organisations engaged in providing community development projects may be better suited to social entrepreneurship. By contrast, organisations working at the national level to advocate legislative changes or to protect the rights of the indigenous people may face more (ethical and technical) challenges in a business engagement because it is almost impossible to set a price on such services. Another important issue is the legal organisation status (i.e. nonprofit or for-profit), which determines the government tax and subsidy benefits associated with the chosen status. In this regard, it is recommended that:

*Recommendation 1: NGOs must conduct thorough cost-benefit analyses and take into account the risk and ethical factors when considering if a business venture is appropriate for them.*

Broader implications fall into the development arena. The research suggests that in the Cambodian context, where there is competing hegemony among various actors, a development paradigm shift is at work. This process involves the shift from NGOs relying less on external institutional grants and charitable donations to commercialisation and social entrepreneurship with further implications on changing the donor–NGO–client relationship. As NGOs diversify their funding sources, they may gain more sustainability, independence, ownership of their programme, transparency and responsiveness to their clients. This implies a reversal of the typical upward accountability (NGOs to donors) and the beginning of a downward accountability (NGOs to their clients). Development programmes that were traditionally and dominantly a foreign-funded initiative and design are now in the hands of rising local social entrepreneurs and innovative local NGO leaders. In other words, this emergence of social entrepreneurship among the nonprofit sector has the potential to reduce



donor-dependency of the economy and society [c.f. Cambodia Research Group, 2010; Ear, 2012; C. Hughes, 2009]. Furthermore, donors can contribute to correcting some of the negative implications of commercialisation. For instance, donors could play a complementary role by ensuring that goods and services remain accessible by the poorest. It is recommended that:

*Recommendation 2: Donor communities and development partners provide specific supports to social entrepreneurial activities to promote more self-sufficiency, local ownership and sustainability of development programmes. They should provide complementary role to ensure that commercialisation does not exclude those who cannot pay.*

Furthermore, NGOs are no longer the sole agents of development and the dominant members of Cambodian civil society. Instead, a variety of organisational forms, including social enterprises, community enterprises, farmers and artisan associations, cooperatives, self-help groups, and, to a lesser extent, businesses taking social and environmental responsibilities, have emerged with increasing development roles. Consequently, these various organisations contribute to the increasing plurality of the civil society sector and at the same time form a bigger part of the neoliberal economy. This process is also supported by the statement that Cambodian civil society sector is transforming quite rapidly (Malena et al., 2009; Öjendal & Kim, 2006). A recent edited volume by a prominent scholar on Cambodia stated that (Öjendal, 2013, p. 30):

... there is a “normalisation”... of sorts, where historical civil society reconstitute itself (in new forms), functional organisational entities are slowly emerging, and the development oriented, externally funded, civil society is shrinking and searching for new ways forward.

### **6.3.2. Implications for Government Policy**

In this subsection, several policy implications for the Cambodian government are synthesised from the individual chapters of the dissertation. The implications are discussed around the issues of government funding and supports for NPOs, regulation on the organisations' businesses and legal framework to support the emergence of social entrepreneurial organisations.

Firstly, the findings suggest that there is currently very limited local funding available for NGOs, particularly government grants and charitable donations, and there is clearly a strong need of such funding sources among member organisations in the nonprofit sector. Along with earned income, such local resources are important to address the issues of lack of local ownership and dependence on external assistance. Along this line, the lack of charitable donations by for-profit corporations may be associated with the current law on tax deductibility, which restricts such donations to only 5% of taxable profit. One issue that has further constrained fruitful government–NGO collaboration is the lack of government roles in sharing programme costs with NGOs. In this regard, it is recommended that the government consider providing grants and allocating ministry budgets to support and collaborate with relevant local CSOs. The government should also consider measures to encourage charitable donations by progressively increasing tax deductibility to 10% for corporations and 20% for individuals.

Another important policy implication relates to the regulation of NGO commercial activities. The scale and scope of commercialisation and social entrepreneurship embraced by NGOs and the potential of further growth as outlined in this research are critical and deserve serious government attention to both facilitate and regulate the process. In the current draft law on NGOs/Associations soon to be enacted and enforced, there is no clear definition on “commercial activities”, while the clause on prohibiting the distribution of generated income is imprecise and vague. The law, if it is to be realised, should include detailed clauses on NGO commercial activities, particularly those that are not directly relevant to the NGO core programme. The law should ensure transparency and accountability to help address mission drift, misappropriate use of funds, corruption and misuse of NGO status for private advantages. More importantly, such measures will help NPOs gain public trust and support.

Beyond commercial ventures to generate income, there is another emerging trend of NGOs embracing social entrepreneurship as a new and more sustainable approach to development. Despite some drawbacks and risks, this study’s findings on the many benefits of social entrepreneurial strategy are mostly encouraging. To reap the full potentials of social entrepreneurship, the government’s roles in ensuring enabling policy environment, appropriate information dissemination and financial supports are vital (Kerlin & Pollak, 2011). Such an improved legal framework has positive effects on NGOs’ operations (Simon, 2006). In this regard, it is recommended that:

*Recommendation 3: The Cambodian government should propose a new regulatory framework to cover social entrepreneurial activities practised among various forms of organisations by defining what it is, and outlining the type of support social entrepreneurial organisations may receive from the government.*

#### **6.4. Limitations and Future Research**

As with most research projects, this PhD project has a few limitations. These imperfections have left some rooms that future research can investigate further. In addition, the research findings have also raised some questions that future study can help resolve.

The first issue has to do with the adopted methodology. Overall, the mixed method approach integrating quantitative survey and key informant interviews is proven as one of the most appropriate methods for the specific research objective. It yields rich, rigorous data in which analysis and interpretations can be made using different methodological lenses. However, such data collection of multi stages involves significant financial, labour and time requirements. Despite the additional funding support of the umbrella NGO Cooperation Committee for Cambodia (CCC) for the survey, the data collection was still restricted to only the five biggest regions of Cambodia. This has limited the study's representativeness to the regions. Future research on social entrepreneurial organisations will likely be very valuable if conducted in alternative geographical areas, or the whole country.

Second, further research is most helpful if designed to study trends, emerging issues and lesson learnt of social entrepreneurial programmes at regular intervals. The findings from this study indicate that more NGOs are beginning to mobilise resources from social entrepreneurial activities and those who have already engaged in this approach will further deepen their engagement. Social entrepreneurship has many positive and negative implications for development communities. How can engagement in income-generation activities solve NGOs' financial dependence on foreign aid without compromising their mission, legitimacy, and public trust? What are the implications of NGO-business partnership through social entrepreneurship? Tracking the emergence and development (for example, every three to five years) and documenting issues and lessons learnt (i.e. failure and success experiences) from emerging business-minded approaches is useful to evaluate the long-term prospects and analyse development and policy implications more accurately. On a related note, analysing the typology of various organisational forms of social entrepreneurial

organisations will be very insightful. Such studies will be useful for comparative purposes across countries and regions.

Third, studying the practice of social entrepreneurship among the business communities will bring additional value to the scientific and development community. This research has presented the perceptions and implications of the approach from the nonprofit sector. A missing element in the research is how businesses can play their part in solving development problems. For example, what are the potentials of businesses practising Corporate Social Responsibility (CSR), fair trade, or taking the lead in bringing innovative and technological solutions to social and environmental problems in the context of Cambodia? Would it make a difference to the sustainable and inclusive development of the country if a business's bottom line was more than the maximisation of shareholder's profit? How will NGOs benefit or risk from forming partnership with businesses? More investigation is needed to provide answers to these critical questions faced by organisation scientists, development practitioners, and policymakers. Case study research in these areas will be valuable.

## **6.5. Conclusion**

This PhD research project has revealed the challenges that NGOs in Cambodia face in mobilising local resources and continuing to stay relevant while external funding has declined. Currently, charitable donations and government grants are scarce, and as a result, social entrepreneurship is one of the alternative diversification strategies NGOs are using to derive income. In a trend following the commercialisation of the NGOs engaged in micro finance programmes, the research found that a significant percentage of NGOs (20%) in many other sectors have adopted the market approach. This emerging approach has brought about mixed consequences. On the one hand, the social entrepreneurial strategy is proven to ensure financial sustainability for many organisations. For some others, the adoption brings new economic values, innovation, and improved governance while at the same time promotes local ownership of development programmes. Social entrepreneurship has the potential to transform NGOs to become more oriented to customers and more responsive to their needs. On the other hand, NGOs risk sidelining their social mission, by making services inaccessible to poor beneficiaries. The blurring boundary between nonprofit and for-profit organisations

also puts NGOs at risks of losing their reputation and legitimacy and raises the question of unfair competition through government grants and tax privileges.

The problem-solving nature of the project has highlighted several key development and policy implications. The direction is pointing toward a shift in development paradigm, which potentially changes the relation between local NGOs and international donors and development partners. In other words, this implies “undoing the patronage view of what international and local development is about” (Fowler, 2000a, p. 651). During this process, social enterprises with local orientation and a variety of similar forms of organisation tend to bring the new version of Cambodian NPOs that were traditionally plagued by issue of representing external interest as a result of depending on foreign support.

It is reasonable to assume that this process denotes the ‘Cambodianization’ and hybridisation of the civil society sector (Öjendal, 2013). In this aspect, the dissertation contributes to the larger Cambodia Research Programme “Competing Hegemonies: Foreign-dominated processes of development in post-conflict Cambodia” by providing findings that indicate Cambodia may be starting to shed the fetters of foreign domination. This struggle to get out of foreign domination may be possible because now there is an alternative (and innovative) way that Cambodian development actors (including NGOs) can mobilise financial resources locally.

In other words, foreign-driven and dependent NPOs in Cambodia have lost their legitimacy and so has the so-called Washington Consensus. Instead, the diverse forms of emerging community-driven organizations that depend on local resources and represent local interest are becoming more prevailing. Controversially, some may associate this development with the shifting international order as well as the Beijing Consensus’s doctrine where developing countries are encouraged to actively preserve their independence from external agendas and conditional development assistance that completely disregards the local context and values. Instead of polarizing Western and Eastern development values, however, Cambodia’s political reform (including minimum human rights protection and an accountable governance) is critical to ensure a long-term development path that is “people-focused”, inclusive and in harmony with the environment. Social entrepreneurship could play a major role in this development process.

Analysing the impacts of commercialisation in the nonprofit sector and the emergence of social entrepreneurship as an alternative development approach is complex. I hope the research findings, propositions, and suggested future research directions will invite other researchers to help untangle this complexity further. It is also expected that the development and policy implications raised in this dissertation will raise the level of awareness and attention among the development community and policymakers around the issues and potential of NGOs' diversification strategies, and social entrepreneurship in particular.

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## **APPENDICES**

## Appendix 1: Survey Questionnaire

**Confidentiality:** Except the first page, all responses in the questionnaire will be kept with strict confidentiality. Data will be reported in statistical summary report only.

**NGO Code (from list):**  
.....

# NGO Survey on Resource Diversification and Social Entrepreneurship

<i>1. To be completed by interviewer after the interview</i>				<i>2. To be completed by supervisor after checking completed questionnaire thoroughly</i>			
Interviewer's name:	.....			Supervisor's name:	.....		
(1) Interviewer's code:	.....			Supervisor's code:	.....		
Date of interview:	Day	Month	Year	Date checked by supervisor:	Day	Month	Year
Interviewer's Signature:	.....			Supervisor's signature:	.....		
Remarks	.....			Remarks	.....		

## A. INFORMATION ABOUT THE ORGANISATION

### Q 1. Contact details

<b>Q1.1 Name of Organisation/ Association</b>	Q1.1.1. (English) ..		
	(Khmer) .		
	Q1.1.2. (Acronym in English)		
<b>Q1.2 Executive Director/Head of the Organisation/Country Representative</b>	Q1.2.1.Name: Q1.2.2. Position:.... Q1.2.3. Sex: <input type="checkbox"/> (1) M <input type="checkbox"/> (2) F		
<b>Mailing Address</b>			
<b>Q1.3 Number and Street</b>			
<b>Q1.4 Sangkat/Commune</b>			
<b>Q1.5 Khan/District</b>			
<b>Q1.6 Province/City</b>			
<b>Q1.7 Telephone</b>			
<b>Q1.8 Fax</b>			
<b>Q1.9 Mobile phone</b>			
<b>Q1.10 P.O. Box</b>		<b>Q1.11 CCC Box</b>	...
<b>Q1.12 Email address</b>			
<b>Q1.13 Website</b>			

**Q 2. When was your organisation established? (Write in YEAR).....**

**Q 3. Is your organisation registered?**

☐ (1) Yes (=>Please answer **Q4**)

☐ (2) No (=>Skip to **Q5**)

**Q 4. If YES, which government institution is your organisation formally registered with?**

Please ALL that apply.

☐ (1) Ministry of Interior (MOI)

☐ (2) Ministry of Foreign Affairs and International Cooperation (MFAI)

☐ (3) Council of Ministers

☐ (4) Other (please specify).

**Q 5.If No, why is the organisation not registered? Please tick ALL that apply**

☐ (1) The organisation is newly established. We will register in the near future

☐ (2) The organisation does not know about the required registration

☐ (3) The registration procedure is unclear and/or complicated

☐ (4) The organisation does not meet one or more of the requirements for registration

☐ (5) It is not important for the organisation to register

☐ (6) Other reason/s (please specify)

**Q 6. Does your organisation have an MOU/MOA (Memorandum of Understanding) with any of the government ministries? Please tick ALL that apply.**

<input type="checkbox"/> (1) Office of the Council of Ministers	<input type="checkbox"/> (10) Ministry of Industry Mines and Energy	<input type="checkbox"/> (19) Ministry of Post and Telecommunications
<input type="checkbox"/> (2) Ministry of Agriculture, Forestry and Fisheries	<input type="checkbox"/> (11) Ministry of Information	<input type="checkbox"/> (20) Ministry of Public Works and Transportation
<input type="checkbox"/> (3) Ministry of Commerce	<input type="checkbox"/> (12) Ministry of Interior	<input type="checkbox"/> (21) Ministry of Religion and Cults
<input type="checkbox"/> (4) Ministry of Culture and Fine Arts	<input type="checkbox"/> (13) Ministry of Justice	<input type="checkbox"/> (22) Ministry of Rural Development
<input type="checkbox"/> (5) Ministry of Economy and Finance	<input type="checkbox"/> (14) Ministry of Labour and Vocational Training	<input type="checkbox"/> (23) Ministry of Social Affairs Veteran and Youth Rehabilitation
<input type="checkbox"/> (6) Ministry of Education, Youth and Sport	<input type="checkbox"/> (15) Ministry of Land Management, Urban Planning & Construction	<input type="checkbox"/> (24) Ministry of Tourism
<input type="checkbox"/> (7) Ministry of Environment	<input type="checkbox"/> (16) Ministry of National Defence	<input type="checkbox"/> (25) Ministry of Water
<input type="checkbox"/> (8) Ministry of Foreign Affairs and International	<input type="checkbox"/> (17) Ministry of Parliamentary Affairs and	<input type="checkbox"/> (26) Ministry of Women's Affairs
<input type="checkbox"/> (9) Ministry of Health	<input type="checkbox"/> (18) Ministry of Planning	<input type="checkbox"/> (27) Other (please specify) .

**Q 7. Is your organisation currently ACTIVE, INACTIVE, or CLOSED? Please tick ONE**

- ☐ (1) Active (i.e. in operation with active projects/programmes)
- ☐ (2) Inactive (i.e. has an open office but does not have any active projects)
- ☐ (3) Closed (i.e. the organisation is no longer in operation)
- ☐ (4) Other (please specify).....

**Q 8. Which organisational categories best describes the type of your organisation? Please tick ONE.**

<input type="checkbox"/> (1) Local NGO	<input type="checkbox"/> (7) Micro finance institution (MFI)
<input type="checkbox"/> (2) Community-based Organisation	<input type="checkbox"/> (8) Credit Union
<input type="checkbox"/> (3) International NGO	<input type="checkbox"/> (9) cooperative
<input type="checkbox"/> (13) Funding agency	<input type="checkbox"/> (10) Social enterprise/business
<input type="checkbox"/> (4) Farmer association	<input type="checkbox"/> (11) Commercial enterprise
<input type="checkbox"/> (5) Membership organisation	<input type="checkbox"/> (12) Other (please specify): ..... .....
<input type="checkbox"/> (6) Research and consultancy institution	

**Q 9. As of November 2011, what is the total number of part-time and full-time staff in your organisation (including volunteers, interns, advisors and consultants)?**

<b>Q9.1. Male staff</b>	....
<b>Q9.2. Female staff</b>	....
<b>Q9.3. Total staff</b>	....

**Q 10. How many of the total staff are.....?**

Types of staff	Number (write in number, please write "0" for none)	
	(1) Total	(2) Female
Q 10. 1. part-time		
Q 10. 2. full time		
Q 10. 3. expatriate staff/consultant/advisor		
Q 10. 4. disabled		
Q 10. 5. other (please specify): .....		
Q 10. 6. Total		

**Q 11. How many of the total staff are *non-paid* staffs?** Please list the number of volunteers, interns and other non-paid staff in the organisation.

Types of <i>non-paid</i> staff	Number (write in number, please write "0" for none)
Q 11. 1. International volunteers	
Q 11. 2. Local volunteers (based in office)	
Q 11. 3. Local volunteers (based in communities)	
Q 11. 4. Interns	
Q 11. 5. Other (please specify): .....	
Q 11. 6. <b>Total</b>	

**Q 12.** What is your best estimate of the average level of education for the staff in your organisation?

<input type="checkbox"/> (1) High school graduate	<input type="checkbox"/> (5) Post graduate diploma
<input type="checkbox"/> (2) Technical and Vocational Education	<input type="checkbox"/> (6) Master's Degree
<input type="checkbox"/> (3) Associate degree	<input type="checkbox"/> (7) Doctor of Philosophy
<input type="checkbox"/> (4) Bachelor's Degree	<input type="checkbox"/> (8) Medical Doctor (MD)
<input type="checkbox"/> (9) Other (please specify)	

## B. SOURCES OF FUNDING

**Q 13. What are the main sources of funding for your organisation?** Please tick ALL that apply.

- ☐ (1) Grants and donations (e.g. from foundations, international NGOs, IOs, corporations, individuals, and membership fees etc.)
- ☐ (2) Commercial activities (e.g. health clinics, restaurant, office rental, sale of publications, craft shops etc.)
- ☐ (3) Government funding and supports (e.g. tax exemption, subsidies or partnership in project implementation)
- ☐ (4) Other sources (please specify ALL other sources) .....

**Q 14. What was your organisation's average ANNUAL budget in the past three years (2009-2011)?** Please tick ONE and ask for best estimate of the budget:

- ☐ (1) .. US\$. (best estimate)
- ☐ (2) No funding in the last three years
- ☐ (99) Don't know

**Q 15. Does your organisation provide funding for other local NGOs/associations or community-based organisations (CBOs)?**

- ☐ (1) Yes, to local NGOs/Associations only(=> Skip to **Q17**)

- ☐ (2) Yes, to CBOs (=> Continue to **Q16**)
- ☐ (3) Yes, to both NGOs/Associations and CBOs(=>Continue to **Q16**)
- ☐ (4) No (=> Skip to **Q17**)

**Q 16. If your organisation provides funding to other local organisations, how much money is disbursed to the CBOs in the last fiscal year?** Please tick ONE and ask for best estimate of the budget:

- ☐ (1) .. US\$. (best estimate)
- ☐ (2) No funding in the last fiscal year
- ☐ (99) Don't know

**Q 17. What percentage of the total funding for your organisation comes from ..... in the period of .....?** In percentage points (e.g. 10%, 20%, 70% etc.), please provide an estimate of past, current, and expected share of each source of funding comparing to total funding.

Type of source	(1) Average share in the past five years (2006-2010)	(2) Current share in 2011-2012	(3) Expected share in the next five years (2012-2016)	(99) Don't know
<b>Q 17.1.</b> Grants and donations	...%	...%	...%	<input type="checkbox"/>
<b>Q 17.2.</b> Commercial activities	...%	...%	...%	<input type="checkbox"/>
<b>Q 17.3.</b> Government funding and supports	...%	...%	...%	<input type="checkbox"/>
<b>Q 17.4.</b> Other sources (please specify):				
<b>Q 17.4.1.</b>	...%	...%	...%	<input type="checkbox"/>
<b>Q 17.4.2.</b>	...%	...%	...%	<input type="checkbox"/>
<b>Q 17.4.3.</b>	...%	...%	...%	<input type="checkbox"/>
<b>Q 17.5. Total</b>	100 %	100 %	100 %	

**Q 18. Do you expect the total amount of funding for your organisation to INCREASE, DECREASE or STAY THE SAME in the next 3 years (2012-2014)?**

Sources of funding	(1) Increase	(2) Stay the same	(3) Decrease	(98) Not applicable
<b>Q 18.1.</b> Grants and donations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Q 18.2.</b> Commercial activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Q 18.3.</b> Government funding and supports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Q 18.4.</b> Other sources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## C. PROGRAMME

**Q 19. What are the main activities best describe your organisation's programme?** Please tick ALL that apply.



Main areas of activities	Main areas of activities
<input type="checkbox"/> (1) Advocacy and Policy Dialogue	<input type="checkbox"/> (12) Health, Nutrition and HIV/AIDS
<input type="checkbox"/> (2) Agriculture/Animal Health	<input type="checkbox"/> (13) Humanitarian Aid, and Disaster Preparedness and Relief
<input type="checkbox"/> (3) Business/Organisational Development	<input type="checkbox"/> (14) Landmine/UXO Action/Awareness
<input type="checkbox"/> (4) Child Welfare and Rights	<input type="checkbox"/> (15) Providing grants to NGOs/CBOs
<input type="checkbox"/> (5) Community Development	<input type="checkbox"/> (16) Religion/Faith
<input type="checkbox"/> (6) Credit and Savings	<input type="checkbox"/> (17) Tourism, Arts and Culture
<input type="checkbox"/> (7) Democracy and Human Rights	<input type="checkbox"/> (18) Water and Sanitation
<input type="checkbox"/> (8) Disability and Rehabilitation	<input type="checkbox"/> (19) Research and consultancy
<input type="checkbox"/> (9) Education and Training	<input type="checkbox"/> (20) Other (please specify).....
<input type="checkbox"/> (10) Environment and Natural Resources	.....
<input type="checkbox"/> (11) Gender and women issues	<input type="checkbox"/> (21) No activity

**Q 20. What are the factors that determine the types of activities for your organisation's programme?** Please tick ALL that apply.

- ☐ (1) Requirement or preference of the donors (e.g. fulfilling the requirements when submitting proposal for funding)
- ☐ (2) Goals and mission of the organisation
- ☐ (3) Strategic plan of the organisation
- ☐ (4) Recommendations of the governing body (board of directors/trustees)
- ☐ (5) National development plans (e.g. the National Strategic Development Plan "NSDP", Cambodian Millennium Development Goals "CMDGs", or sectoral strategic plan)
- ☐ (6) Recommendations of marketing or field research
- ☐ (7) Community need assessments
- ☐ (8) General consumers
- ☐ (9) Others (please specify)

**Q 21. Who are the main target beneficiaries of the organisation's programme activities?**

Please tick ALL that apply.

Target beneficiaries groups	Target beneficiaries groups
<input type="checkbox"/> (1) Women groups	<input type="checkbox"/> (12) Union members
<input type="checkbox"/> (2) Students and youth groups	<input type="checkbox"/> (13) Sex workers
<input type="checkbox"/> (3) Children	<input type="checkbox"/> (14) Land conflict communities
<input type="checkbox"/> (4) Farmers	<input type="checkbox"/> (15) Victims of human trafficking
<input type="checkbox"/> (5) Elderly people	<input type="checkbox"/> (16) Prisoners
<input type="checkbox"/> (6) Religious groups	<input type="checkbox"/> (17) General population
<input type="checkbox"/> (7) Indigenous people	<input type="checkbox"/> (18) Local NGOs
<input type="checkbox"/> (8) Disabled persons	<input type="checkbox"/> (19) Community-based Organisations (CBOs)
<input type="checkbox"/> (9) Homeless people	<input type="checkbox"/> (20) Policy makers
<input type="checkbox"/> (10) People with HIV/AIDS	<input type="checkbox"/> (21) Other (please specify ALL):...
<input type="checkbox"/> (11) Drug users	.....

**Q 22. What is the range of direct beneficiaries for your organisation in the last year?**

- ☐ (1) Less than 100

- ☐ (2) Between 100—500
- ☐ (3) Between 501—1000
- ☐ (4) Between 1001—2000
- ☐ (5) Between 2001—5000
- ☐ (6) More than 5000
- ☐ (7) General population
- ☐ (8) No direct beneficiary
- ☐ (99) Don't know

**Q 23. What are the geographical regions of Cambodia that your organisation target for its programme activities?** Please tick ALL that apply.

<input type="checkbox"/> (1) Nation-wide	<input type="checkbox"/> (8) Banteay Meanchey	<input type="checkbox"/> (15) Pailin	<input type="checkbox"/> (22) Mondul Kiri
<input type="checkbox"/> (2) Phnom Penh	<input type="checkbox"/> (9) Battambang	<input type="checkbox"/> (16) Kampot	<input type="checkbox"/> (23) Preah Vihear
<input type="checkbox"/> (3) Kampong Cham	<input type="checkbox"/> (10) Kampong Chhnang	<input type="checkbox"/> (17) Koh Kong	<input type="checkbox"/> (24) Ratanak Kiri
<input type="checkbox"/> (4) Kandal	<input type="checkbox"/> (11) Kampong Thom	<input type="checkbox"/> (18) Preah Sihanouk	<input type="checkbox"/> (25) Stung Treng
<input type="checkbox"/> (5) Prey Veng	<input type="checkbox"/> (12) Pursat	<input type="checkbox"/> (19) Kep	<input type="checkbox"/> (26) Outside of Cambodia
<input type="checkbox"/> (6) Svay Rieng	<input type="checkbox"/> (13) Siem Reap	<input type="checkbox"/> (20) Kampong Speu	
<input type="checkbox"/> (7) Takeo	<input type="checkbox"/> (14) Odar Meanchey	<input type="checkbox"/> (21) Kratie	<input type="checkbox"/> (27) Others (please specify)... .

**Q 24. What are the factors that determine the geographical areas of the organisation's programme activities?** Please tick ALL that apply.

- ☐ (1) Requirements of the donors (e.g. fulfilling the requirements when submitting proposal for funding)
- ☐ (2) Goals and mission of the organisation
- ☐ (3) Strategic plan of the organisation
- ☐ (4) Recommendation of the board of directors/trustees
- ☐ (5) National development plans
- ☐ (6) Recommendations of the marketing or field research
- ☐ (7) Community needs
- ☐ (8) General consumers
- ☐ (9) Others (please specify).....

## **D. STAKEHOLDER, ACCOUNTABILITY AND NETWORKING**

**Q 25. Who are the main stakeholders of your organisation?** Please tick ALL that apply.

<input type="checkbox"/> (1) Local NGOs	<input type="checkbox"/> (5) Member organisations	<input type="checkbox"/> (9) Private sector	<input type="checkbox"/> (13) Local authorities (chiefs of village, commune, district)
---	---	---	--

<input type="checkbox"/> (2) Community-based Organisations (CBOs)	<input type="checkbox"/> (6) Donors	<input type="checkbox"/> (10) Suppliers/ contractors	<input type="checkbox"/> (14) Political parties
<input type="checkbox"/> (3) International NGOs	<input type="checkbox"/> (7) Beneficiaries	<input type="checkbox"/> (11) Line ministries	<input type="checkbox"/> (15) Parliament/Senate
<input type="checkbox"/> (4) Board members	<input type="checkbox"/> (8) Other community members at large	<input type="checkbox"/> (12) Provincial departments	<input type="checkbox"/> (16) Others (please specify).

**Q 26. Among all the stakeholders you listed above, which top three stakeholders is your organisation accountable?** Please list three stakeholders that your organisation is most accountable to.

- 1....
- 2....
- 3....

**Q 27. Is your organisation currently a member of any network/umbrella or sectoral organisations?** Please tick ALL that apply.

<input type="checkbox"/> (1) Cooperation Committee for Cambodia (CCC)	<input type="checkbox"/> (7) End Child Prostitution, Abuse and Trafficking in Cambodia (ECPAT Cambodia)
<input type="checkbox"/> (2) The NGO Forum on Cambodia (NGO Forum)	<input type="checkbox"/> (8) NGO Coalition to Address Sexual Exploitation of Children in Cambodia (COSECAM)
<input type="checkbox"/> (3) MEDiCAM	<input type="checkbox"/> (9) NGO Committee on the Rights of the Child (NGO-CRC)
<input type="checkbox"/> (4) NGO Education Partnership (NEP)	<input type="checkbox"/> (10) Gender and Development for Cambodia (GADC/GAD Net)
<input type="checkbox"/> (5) Cambodian Human Rights Action Committee (CHRAC)	<input type="checkbox"/> (11) Other (please specify):
<input type="checkbox"/> (6) Committee for Free and Fair Elections (COMFREL)	<input type="checkbox"/> (98) Not applicable

## E. VOLUNTARY CERTIFICATION PROGRAMME

**Q 28. Do you know about CCC's Voluntary NGO Certification Programme?**

- ☐ (1) Yes, already certified(=> **Skip to Q30**)
- ☐ (2) Yes, but not yet certified(=> **Continue to Q29**)
- ☐ (99) Don't know (=> **Continue to Q29**)

**Q 29. If don't know or not yet certified, does your organisation wish to be certified?**

- ☐ (1) Yes
- ☐ (2) No
- ☐ (99) Don't know

## F. GOVERNANCE

**Q 30. Does your organisation have a governing body (e.g. a board of directors or trustees)?**

- ☐ (1) Yes (=> please answer **Q31- Q33**)

☐ (2) No (=> Go to **Q34**)

**Q 31. How is the chair of the board of directors appointed?**

☐ (1) Elected by members of the board of directors

☐ (2) Elected by member organisations

☐ (3) Appointed by the executive director

☐ (4) Other (please specify)...

**Q 32. How is each member of the board of directors/trustees selected?**

☐ (1) Elected by the board of directors

☐ (2) Elected by membership organisations

☐ (3) Appointed by the executive director

☐ (4) Appointed by stakeholders (e.g. donor/development partners)

☐ (5) Other (please specify)...

**Q 33. How frequently does the governing body meet? Please tick One:**

☐ (1) Every month

☐ (2) Every two months

☐ (3) Every three months

☐ (4) Every six months

☐ (5) Every year

☐ (6) The governing body meets IRREGULARLY (e.g. only when there is an emerging issue)

☐ (7) The governing body has never held a meeting

☐ (8) Other (please specify)...

**Q 34. Does your organisation undertake *external* auditing of the accounting and financial management system?**

☐ (1) Yes (=> Continue to **Q35**)

☐ (2) No (=> Skip to **Q36**)

**Q 35. If YES, how often does your organisation undertake the external auditing? Please tick One:**

☐ (1) Every year

☐ (2) Every two years

☐ (3) Every three years

☐ (4) Only when required by donors

☐ (5) Other (please specify).....

**Q 36. Does your organisation have a written constitution or statutes/by-laws?**

☐ (1) Yes

☐ (2) No

☐ (98) Not applicable

**Q 37. Does your organisation produce .....? Please tick ALL that apply.**

- ☐ (1) Strategic plan
- ☐ (2) Annual programme report
- ☐ (3) Annual financial report (=> Continue to **Q38**)
- ☐ (4) None of the above
- ☐ (5) Other (please specify)..

**Q 38. If producing *annual financial report*, is the report publicly available?**

- ☐ (1) Yes
- ☐ (2) No
- ☐ (3) Not applicable

## **G. OPINION ABOUT NGO CONTRIBUTIONS**

**Q 39. What are the three most significant contributions that your organisation has made to its target beneficiaries?**

- 1-
- 2-
- 3-

## **H. ABOUT THE RESPONDENTS**

**Q 40. What is your name? .....**

**Q 41. What is your position in the organisation? .....**

**Q 42. How long have you been working for the organisation? Please the number of YEAR and MONTH.**

**.Year.Month**

**Q 43. What is your highest level of education?**

<input type="checkbox"/> (1) High school graduate	<input type="checkbox"/> (5) Post graduate diploma
<input type="checkbox"/> (2) Technical and Vocational Education	<input type="checkbox"/> (6) Master's Degree
<input type="checkbox"/> (3) Associate degree	<input type="checkbox"/> (7) Doctor of Philosophy
<input type="checkbox"/> (4) Bachelor's Degree	<input type="checkbox"/> (8) Medical Doctor (MD)
<input type="checkbox"/> (9) Other (please specify)	

**THANK YOU FOR YOUR KIND CONTRIBUTION TO THIS SURVEY!**

## **Appendix 2: Informed Consent (Survey)**

*(Translated from Khmer)*


Hello,

My name is ..... a survey enumerator for the “NGO Survey on Resource Diversification and Social Entrepreneurship”, a research project being led by Mr. Sothy Khieng and is supported by the Cooperation Committee for Cambodia (CCC). This research project aims to investigate the resource diversification strategies adopted by NGOs. More broadly, the purpose is to also study the current state of affairs, including the activities and status, of the organisations in the civil society sector in Cambodia. The questionnaire consists of 43 questions on these key themes: details about the NGO such as registration, staff, sources of funding, programmes, stakeholders, governance, voluntary certification system, and your opinion on the contribution of NGOs to Cambodia’s development. The interview lasts around 25 minutes in average.

All personal information is confidential and is to be reported in a summary statistics only. An exception is the NGO demographic information which is to be used to verify the number of NGOs active in Cambodia and to update the CCC’s NGO directory.

Do you agree to participate in our survey?

## Appendix 3a: Letter of invitation



គណៈកម្មាធិការ  
សហប្រតិបត្តិការរវាងស្ថាប័នសង្គម  
Cooperation Committee  
for Cambodia  
Comité de Coopération  
Pour le Cambodge

### Promoting NGO Solidarity and Cooperation Since 1990

Vision: A strong and capable civil society, cooperating and responsive to Cambodia's development challenges

---

November 7, 2011

Whom It May Concern

The Cooperation Committee of Cambodia (CCC) is the pre-eminent membership organisation of the non-government sector in Cambodia. Since 1990 CCC has taken a lead role in representing the voice of Non-Governmental Organizations (NGOs) to the government and donor community. CCC effectively represents the professional interests of NGOs across diverse sectors which make us unique. Our reputation for high quality information management, information sharing and capacity development is widely acclaimed and highly valued by many stakeholders throughout Cambodia.

In conjunction with a wider census of all NGOs in Cambodia, your organisation has been randomly selected as one of 585 to take part in a detailed questionnaire which will be carried out by trained enumerators. All information gathered will be kept confidential and not be used for any purpose other than our records and research reports.

This survey contains approximately 43 questions and will take around 30 minutes to complete. In order to collect the most accurate information covering an overview of your organizational activities and contributions, it is vital that it be completed by a senior member of management - ideally the Executive Director.

We appreciate that this will take a substantial portion of your time, but this survey will be used to highlight the many contributions which NGOs such as yours make to development in Cambodia, so please think of it as an opportunity to promote and improve the sector as a whole.


This survey will be conducted by a consultant research team led by Mr. Sothy Khieng, Mr. Justin Joseph Flurscheim and Ms. Chenneang Chim. Interviews will be conducted in Khmer unless otherwise requested.

Thank you for your cooperation and support. If you have any questions about the NGO survey, please contact Mr. Keo Phalla of the CCC Member Services Unit at [phalla.keo@ccc-cambodia.org](mailto:phalla.keo@ccc-cambodia.org) or by phone by 012 560 199.

Mr Lun Borithy

Executive Director

The Cooperation Committee of Cambodia




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*Host of the 2nd Global Assembly for CSO Development Effectiveness - Siem Reap 28-30 June 2011*

[www.ccc-cambodia.org](http://www.ccc-cambodia.org)  
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#9-11, Street 476,  
Toul Tompoung 1, Chamkarmorn  
P.O. Box 855 Phnom Penh,  
Cambodia

Accountability គណនេយ្យភាព  
Symbol of Trust សញ្ញាសម្គាល់នៃទំនុកចិត្ត



## Appendix 3b: Letter of Invitation (Key Informant Interviews)



Phnom Penh, 25 January 2012

**Dear NGO Leaders/Social Entrepreneurs:**

We are writing to request your participation in a research study **“Resource Diversification Strategies of Cambodian NGOs-the Relevance of Social Enterprise”** between **February-June, 2012**.

The **Cambodian Research Group (CRG)**, which consists of Researchers of both Dutch and Cambodian background, is a strategic research collaboration between academic institutions in the Netherlands and Cambodia. The flagship research programme of the CRG is “Competing Hegemonies – Foreign-dominated Process of Development in Cambodia” and is funded by the Netherlands Organization for Scientific Research (NWO). One of the PhD projects under this programme has the aim of conducting a study on the “Resource Diversification Strategies of Cambodian NGOs-The Relevance of Social Enterprise”. In order to realize this aim, we are seeking your cooperation in this research by participating in a key informant interview (KII).

The interview will mainly cover these topics: **resource diversification strategies and associated challenges with focus on the commercial activities of the organization, impacts of different strategies on governance and institutional structure of the organization, the history of how the organization was established and the roles of the NGO founder/leader.**

You have been selected as one of the key informants in this research because your organization indicated in an NGO Survey in November 2011 that some of its funding is generated from “commercial activities”. Your participation in the research study is very important because it will provide us crucial data on the trend of such approach, how it affects the mission, governance and programme sustainability of the organization. The information will be relevant and useful not only for academic purposes but shall be shared with other organizations through series of dissemination workshops and publications of research findings. In return to your participation, the CRG will share the research findings with you by inviting you to one of the dissemination workshops in Phnom Penh or sending the research paper via email.

If you have any questions regarding this project please contact **Mr Khieng Sothy**, the doctoral researcher for this project at [s.khieng@vu.nl](mailto:s.khieng@vu.nl) or mobile phone: **012 229 557**. You can also contact us through our email addresses respectively: [h.dahles@vu.nl](mailto:h.dahles@vu.nl) or [chanrith@rupp.edu.kh](mailto:chanrith@rupp.edu.kh). In the meantime, Mr Khieng Sothy will contact you directly for an appointment of the aforementioned interview at your office.

Please find appended a summary of the CRG programme and the draft questionnaire.

We thank you in advance for your kind consideration of the request above.

Sincerely yours,

Prof. Dr. Heidi Dahles  
Coordinator, Cambodian Research Group  
Director of Graduate School of Social Sciences  
VU University Amsterdam, The Netherlands

Dr. Ngin Chanrith  
Director, Graduate Program in Development Studies  
Royal University of Phnom Penh  
Cambodia



## Appendix 4: MOU between the Cambodian Research Group and the Cooperation Committee for Cambodia



### MEMORANDUM OF UNDERSTANDING BETWEEN THE CAMBODIAN RESEARCH GROUP (CRG) AND THE COOPERATION COMMITTEE FOR CAMBODIA (CCC)

#### 1- Background

The **Cambodian Research Group** (herein referred to as “**CRG**”), which consists of Researchers of both Dutch and Cambodian background, is a strategic research collaboration between academic institutions in the Netherlands and Cambodia. The flagship research programme of the CRG is “Competing Hegemonies – Foreign-dominated Process of Development in Cambodia” and is funded by the Netherlands Organization for Scientific Research (NWO). One of the PhD projects under this programme has the aim of conducting a Survey on the “**Resource Diversification Strategies of Cambodian NGOs**”. In order to realize this aim, cooperation with the **Cooperation Committee for Cambodia** is sought.

The **Cooperation Committee for Cambodia** (herein referred to as “**CCC**”) is the largest umbrella and network nonprofit and non-governmental organizations (NGOs) in Cambodia, consisting of 122 member NGOs of active in various fields. Over the past 20 years, the CCC has been actively representing the collective voices of NGOs in Cambodia to the government and donor communities. The CCC is also involved in development and advocacy research and is a resource centre for various publications, including directories of Cambodian NGOs and International NGOs as well as funding agencies active in the country.

The **CRG** and **CCC** share the common vision of a strong and sustainable civil society who can contribute effectively and positively to policy making and sustainable development in Cambodia. The research collaboration between the two parties to be outlined below signifies their commitment to contribute to realising the above vision.

#### 2- Purpose

The purpose of this **MOU** is to detail the terms of agreement for research collaboration between the **CRG** represented by **Dr. Ngin Chanrith**, local programme coordinator of the **CRG** and the **CCC**, represented by **Mr. Soeung Saroeun**, with regard to preparation and implementation of the Survey on the Resource Diversification Strategies of Cambodian NGOs planned to take place from **July-November 2011**. It will also outline the preliminary plans for sharing and dissemination and ownership of data and research findings of the Survey.

#### 3- About the survey:

The Survey is part of the PhD Project of Mr. Khieng Sothy, a PhD candidate of the **CRG**. He is herein referred to as “**the Researcher**”. The survey will involve mixed modes of data collection: web-based, email and telephone interview to be conducted with Cambodian NGOs/Associations selected from the CCC’s Agency Contact Listing 2011.

*Signature*

#### 4- Terms of Collaboration

The parties to this MOU agree to the following:

##### **Roles and Responsibilities of the CCC:**

- a. The CCC will endorse the Survey through means of allowing the Researcher to use the CCC's logo and statement of endorsement on the cover page of the Survey.

##### **Roles and Responsibilities of the CRG:**

- b. In return, the **Researcher** is willing to add, adapt or adjust some questions of the questionnaire that the CCC may need to draw specific information from the Survey for its professional use at the CCC.
- c. The **CRG** will be responsible for all stages of the data collection including design, pre-test and post-survey such as data cleaning, editing and data entry.
- d. The **Researcher** will bear the sole responsibility for addressing any questions or issues raised by the NGOs selected for the survey.

#### 5- Ownership of Data

For academic purpose, the ownership of data will be solely that of the **Researcher**. Any use of data by the CCC will have to seek prior written authorization from the **Researcher**. CCC logo must be appeared on the publication of this study.

#### 6- Dissemination of Research Findings

The **CRG** will hold a research workshop to disseminate the preliminary results of the Survey and research findings in around January 2012. The **CRG** will periodically consult with the CCC about the survey results, and invite the CCC and some of its key members to attend the dissemination workshop. The **CRG** will continue to involve the CCC in any other relevant research events hosted by the research programme.

#### 7- Timeframe

The data collection period of the Survey, including pre-test and sending out Survey questionnaires to sample NGOs and that requires the collaboration from the CCC is scheduled to happen from **August to November, 2011**. Extension of the implementation beyond the above period due to any unexpected delays, logistic or technical issues is possible with written notification and agreement of both parties at least two weeks before the ending date of the MOU.

#### 8- Signatures

In witness whereof, the parties to this MOU through their duly authorized representatives certify that they have read, understood, and agreed to the terms and conditions of this MOU as set forth herein. Both parties agree to strive to deliver on the respective comments as outlined in clause 3 "Terms of Collaboration" above with high regards to professionalism. The persons signed below will be the main contact persons for collaboration during the survey.

##### **For the Cambodian Research Group (CRG)**

Signature: Rum

Name: Ngin Chanrith

Position: Director, Development Studies/RUPP

Address: Room 246A, Campus 2, Russian Blvd.

Email: chanrith@rupp.edu.kh

Date: 22 August 2011

##### **For the Cooperation Committee for Cambodia (CCC)**

Signature: Saroeun Soeung

Name: SOEUNG SOEUN

Position: Head of Programs / Acting E.D.

Address: # 9-11, Str 476, TPPB.

Email: Saroeun-soeung@ccc-cambodia.org

Date: 22 August 2011

## **Appendix 5: Question Guide for Key Informant Interviews**

### **Introduction**

1. Purpose of the research study, institutions involved.
2. What is the mission of your organisation and what are its main activities?

### **Resource Mobilisation and Challenges**

3. Does your NGO face difficulties in finding funding for its activities? What are they?
4. What would happen to your organisation if donors stop funding you? How would this affect your NGO's activities? And how do you plan to address the funding challenges?
5. How has your organisation changed since receiving funding from grants and donations?
6. Have donors actively interfered in your planning and conducting your activities? Please provide a few examples.
7. Has there been a donor that stopped financing you, either for project or core funding? For which reason did they discontinue their contribution?
8. Is funding from grants and donations available for project funding or core funding or both? Why?
9. Does your organisation face problems of having full ownership or autonomy over its own activities? Could you please provide some examples? What has been done to address this problem?
10. What is your view on the possible contributions from private contributions, such as Cambodian business elites, tycoons or Oknha and local corporations? Do you think your organisation will accept such alternative contributions? Why or why not?
11. How do you see the roles of volunteers and other non-paid staff in the operation of your NGO? Does your organisation actively engage volunteers?

### **Commercial Activities**

12. Do you think commercial activities are a suitable alternative funding source?
13. What are the specific commercial activities that your organisation is involved in?
14. Do you regard your organisation or its sister organisation as a social enterprise? Why/why not?
15. What are the main reasons for the organisation's involvement in commercial activities?
16. Do you expect these activities to expand, stay the same or decline? Why is that?
17. How is the profit from the sale of services and goods of either the organisation or its sister organisations used?
18. Is your business/enterprise registered as an NGO (with MOI/MFAIC) or as a business (MOC)? Does your NGO or its sister organisation pay any types of tax? What are they? What percentage? Does your NGO get any supports including tax breaks or subsidies from the government?

19. How is income from commercial activities different from other sources like grants and donations and government funding? Which one among the different sources of funding is more flexible? Which one is more sustainable? Which one is easier to get? (matrix table)
20. What changes has your organisation experienced since becoming involved in commercial activities? Has the operation, management or governance structure changed since then? Has your mission or goal changed? Did or do you face any ethical dilemma/s during this process?
21. What are the challenges your organisation has faced in managing the business? Did you have to go through business development or related training course before or while you start the business?
22. What lessons learnt would you like to share with other NGOs in Cambodia who would like start up a business like your organisation?




























### **Optional**













23. *Do you think the current draft of the NGO law should have a clause or a separate law on social enterprises? Do you agree that commercial activities of NGOs should be more restricted?*
24. In your view, what are the main obstacles or challenges for NGOs working in Cambodia in being able to achieve their goals?

### **About respondent**

25. How long have you been working for this organisation?
26. Could you please share how this NGOs was created and how you became involved? What motivated you to work for this organisation?

## Appendix 6: Results of Thematic Data Coding Process Using Nvivo


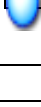























	Nodes	Child-nodes	Child-nodes	Sources	References
	Thematic_coding			42	667
	Main sources of funding			21	24
		Grant and donations		0	0
			UN agencies	6	7
			Private donations	8	11
			Membership fees	1	1
			Local organisations	1	1
			International NGOs	6	7
			Foundations and charitable trust	4	4
			Foreign governments	2	3
			Corporate donation and sponsorship	3	3
			Community Contribution	1	1
			Churches	1	1
		Government funding		1	1
		Earned-income		15	17
		Bidding for projects		3	5
	9. Earned-income as alternative funding source for NGOs			16	17
		Yes and No		6	6
		Yes		8	8
		No		2	2
	8. Roles of volunteers and other nonpaid staff			39	41
		Volunteers contribution		19	20
		Student volunteers_interns		20	21
		Others		4	4
		No volunteers, willing to accept		4	4
		International volunteers		22	25
		Community volunteers		11	12

	7. Contribution from private sector			37	37
		Support and sponsorship		11	15
		Political affiliation		12	13
		Others		10	11
		Legal incentive		3	4
		Lack information and network		3	3
		Lack culture of philanthropy		12	18
		Lack common vision and trust		3	3
		Independence and ownership		4	5
	6. Flexibility of grant and donations			31	31
		Not flexible		4	4
		Flexible		3	5
		Depends		5	6
	5. How project ideas are formulated			21	22
		Others		2	3
		Matching funding		6	6
		Donor driven		4	6
		Community driven		10	10
	4. Why some donors stopped funding			15	16
		Uncategorised		5	5
		Global Financial Crisis		1	1
		Funding for specific purpose		2	2
		End of project		5	5
		Donors changing development priority		4	5
		Disagreement or conflict with donors		0	0
		Corruption		1	1
	3. Challenges in resource mobilisation			35	40
					
		No challenges		0	0

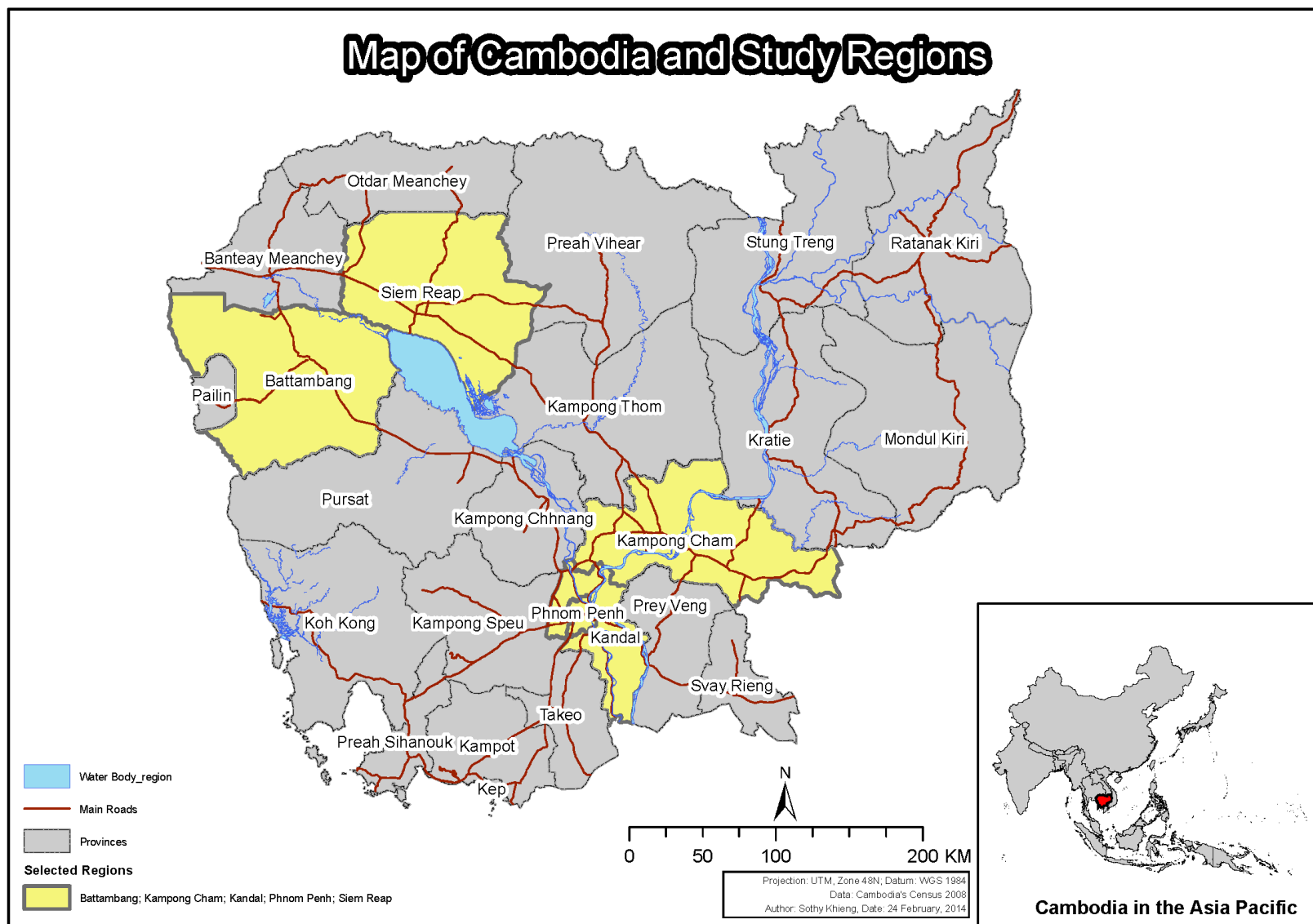
			Successful enterprises	1	1
			Strong network and communication	1	1
			Reputation and publicity	1	1
			Others	4	4
			Long term commitment by donors	0	0
		Face challenges		0	0
			Unpredictability of donor funding	1	1
			Uncategorised	9	10
			Short-term project with visible and quick impacts	5	5
			Overlapping programme and areas of intervention	0	0
			Not meeting donors' requirements	5	5
			Lack of skilled staff	6	9
			Lack of information and network	8	9
			Lack of government grant and support	3	3
			GFC	10	12
			Fewer donors funding media and arts	3	3
			Donors only fund project costs	2	2
			Donors changing development priority	10	10
			Conflict or disagreement with donors	5	6
			Competition with other NGOs	4	4
				40	50
		Umbrella organisation		1	2
		Others		4	4
		Localisation		7	8
		'Brief-case' NGO		3	3
		Altruistic motivation		1	1
			Founded by local Khmer	15	21
			Founded by foreigners	9	9
			Founded by diaspora	2	3
				7	8

		Staff turn-over	0	0
		Staff lack soft skill	1	1
		Others	5	6
		Limited staff capacity	2	2
	22. Governance		10	11
		Transparency	3	5
		Participation	2	3
		Others	5	5
		No functioning BoD	3	3
		Accountability	0	0
	21. Main obstacles and challenges working in Cambodia		27	28
		Relation with Government	16	16
		Politics	8	8
		Others	12	13
		Lack of resource	7	8
		Lack of coordination	3	5
		Human Resource	7	9
	20. NGO draft law		9	9
		Transparency	2	3
		Others	3	3
		Non-distribution constrain	5	5
		Law enforcement	1	1
	19. Lesson learnt		26	28
	18. Challenges in managing the business		32	34
	17. Changes to the organisation		23	23
	16. Earned-income vs. grant and donations		27	30
	15. Registration, tax and subsidies		31	32
	14. How income is used		35	36
		Staff salary	11	12
		Social programme	15	15
		Shareholders-director	4	4
		Reserved fund	12	13
		Others	9	9



		Income for beneficiaries		4	4
		Administration and Operation		24	24
	13. Future plan of expansion			29	31
	12. Why the NGO started earned-income			29	31
		Self-reliance and self-sufficiency		3	3
		Ownership and independence		4	4
		Others		3	4
		Income generation for beneficiaries		5	5
		Income generation and sustainability		23	24
		Employment generation		4	4
		Create venue for training and capacity building		3	3
	11. The organisation as a social enterprise			17	17
		Social Enterprise		10	10
		Not sure		2	2
		Not a social enterprise		5	5
	10. Types of earned-income activities			32	34
		Volunteer Fees		3	3
		Tourism and hospitality		1	1
		Visual and performing arts		4	6
		Hotel		2	2
		Handicraft		5	7
		Food and drinks		5	6
		School and training courses		7	7
		Publications and Media		5	8
		Project Bidding		2	2
		Others		12	15
		Microcredit		3	4
		Agriculture and Fishery		8	10
	1. Mission and main activities			33	37

## Appendix 8: Maps of Cambodia and Regional Locations of NGOs in the Study



## **SAMENVATTING**

Er zijn veel studies uitgevoerd naar de rol van maatschappelijke organisaties, met name non-gouvernementele organisaties (NGOs), die zich bezighouden met de ontwikkeling van Cambodja. Echter, maar enkele van deze onderzoeken werden toegespitst op de financierings-, mobilisatie- en diversificatiestrategieën van deze non-profit organisaties. Met name de commerciële ondernemingen die door NGOs zijn opgestart hebben weinig aandacht gekregen. Er blijkt een cruciaal gebrek aan kennis op dit terrein, nu de NGO-sector wordt geconfronteerd met bezuinigingen. Veel Cambodjaanse NGOs worstelen om hun werk voort te kunnen zetten en streven naar organisatorische autonomie. Dit onderzoek heeft tot doel deze kenniskloof te overbruggen door het verkennen van de uitdagingen waarvoor NGOs in Cambodja op het gebied van hun financiering worden gesteld. De verkenning richt zich, met name, op de verschillende diversificatiestrategieën die zij kunnen gebruiken om actief te blijven als ontwikkelingspartner en als relevante actor in het groeiende maatschappelijke middenveld.

De centrale onderzoeksvraag is:

"Hoe spelen commercialisering en sociaal ondernemerschap een rol in de keuze voor strategieën tot financieringsdiversificatie door NGOs in Cambodja, en op welke manieren bieden deze een alternatieve manier van ontwikkeling voor het land?"

De data voor het onderzoek werd verzameld met behulp van een enquête en door middel van interviews. Sleutelinformanten voor de gesprekken werden geselecteerd uit de senior vertegenwoordigers van NGOs in Cambodja. De dataverzameling vond plaats tussen maart 2011 en mei 2012 in de vijf bepalende regio's van Cambodja, namelijk: Phnom Penh, Kandal, Kampong Cham, Battambang en Siem Reap. Voor de selectie van respondenten is een steekproeftechniek toegepast om zeker te kunnen stellen dat representatieve informatie over de vijf regio's waarin de NGOs het meest actief zijn, kon worden verkregen.

Een eerste bevinding van dit onderzoek is dat een nieuwe manier om de markt te benaderen, namelijk 'sociaal ondernemerschap', door de NGOs als een belangrijke vervangende strategie van financiering wordt gezien om de bezuinigingen onder buitenlandse donoren op te vangen.

Op de middellange termijn, op zijn minst, is te verwachten dat de populariteit van commercialisering in de sociale dienstverlening verder zal toenemen. Deze nieuwe benadering blijkt essentieel op gebieden waar overheids- en marktinstituties, en de traditionele aanpak van ontwikkelingsorganisaties, falen. Naast het streven naar duurzaamheid verkiezen NGOs deze strategie om werkgelegenheid en inkomsten te genereren en ook opleidingsmogelijkheden voor kansarmen te creëren. De commerciële benadering biedt ook kansen voor het oplossen van bredere maatschappelijke problemen zoals maatschappelijke ongelijkheid en chronische armoede. In werkelijkheid hebben processen van vercommercialisering nog meer positieve gevolgen in deze sector, zoals: innovatie, een verbeterde transparantie van, en legitimatie voor, ontwikkelingsactiviteiten richting doelgroepen en het bevorderen van een gevoel van gedeelde verantwoordelijkheid voor ontwikkelingsprojecten.

Desalniettemin zijn de nadelen van het opstarten van commerciële ondernemingen door NGOs talrijk. Niet alleen maakt hun gebrek aan zakelijk inzicht en commerciële vaardigheden de commerciële bedrijven kwetsbaar, NGOs lopen ook het risico om zich te verwijderen van hun oorspronkelijke missie. Dit is het geval als leden van hun doelgroep die niet kunnen betalen voor hulp, worden uitgesloten van hun diensten door de introductie van een vergoeding. NGO-leiders en sociale ondernemers krijgen ook te maken met de moeilijke afweging tussen sociale en financiële doelstellingen. In het ontvangen van fiscale subsidies van de overheid, en subsidies van andere overheden, worden NGOs geconfronteerd met beschuldigingen van oneerlijke concurrentie ten opzichte van de particuliere sector, de keuze in ethische overwegingen en ze lopen het risico dat hun reputatie als lid van het kritische maatschappelijke middenveld beschadigd raakt. Dus, net als elke andere NGO financieringsstrategie, heeft commercialisering zijn eigen tekortkomingen. Het is daarom belangrijk dat NGO-leiders de daaraan verbonden risico's en negatieve effecten goed kunnen beheersen. Tegelijkertijd is het van belang dat de NGOs een diversiteit aan financieringsbronnen kunnen behouden om te grote afhankelijkheid van een enkele inkomstenstroom te voorkomen.

Samenvattend zijn de belangrijkste stellingen van het proefschrift:

*- Stelling 1 : Door een reductie van de financiering uit het buitenland diversifiëren NGOs hun financieringsbronnen, zij kiezen vooral voor commerciële ondernemingen en sociaal*

*ondernemen om financiële duurzaamheid te verkrijgen en hun organisatorische autonomie te behouden.*

*- Stelling 2 : Door middel van eigen inkomsten en sociaal ondernemerschap kunnen de NGOs meer financiering en ondersteuning door donoren aantrekken dan door alleen te vertrouwen op donaties en subsidies.*

*- Stelling 3 : Naast het veilig stellen van de financiële duurzaamheid heeft de sociale ondernemingsstrategie de verantwoording en transparantie van NGOs richting hun doelgroepen verbeterd.*

*- Stelling 4 : NGOs die sociaal ondernemerschap omarmen hebben het potentieel om de negatieve gevolgen van de afhankelijkheid van externe hulp, zoals het ontbreken van een gevoel van lokale medeverantwoordelijkheid en een gebrekkig inspelen op lokale behoeften, te voorkomen.*

*- Stelling 5 : De opkomst en de kenmerken van sociaal ondernemende organisaties in Cambodja zijn het gevolg van een zwakke overheid, zwakke sociale en economische instellingen en de specifieke kenmerken van de Cambodjaanse context.*

*- Stelling 6 : Deze marktbenadering heeft echter ook een aantal negatieve gevolgen, waaronder het risico van uitsluiting van de meest kwetsbaren van betaalde diensten, en het verlies van de traditionele positie van NGOs als onderdeel van het maatschappelijke middenveld.*

Dit proefschrift draagt bij aan theoretische debatten over commercialisering en sociaal ondernemerschap als overlevingsstrategie voor non-profit organisaties. De bevindingen van dit onderzoek staan haaks op conventionele opvattingen over commerciële ondernemingen, die hen doen overkomen als bron van problemen in plaats van een methode tot het verbeteren van een NGO's financiering en haar duurzaamheid. De bevindingen en adviezen die voortkomen uit dit onderzoek hebben ook implicaties buiten Cambodja. Daarom dragen de conclusies bij aan het academisch discours op een gebied waarop, met name, empirische studies uit ontwikkelingslanden en transitielanden schaars zijn.

Tenslotte, het onderzoek heeft belangrijke implicaties voor de ontwikkeling van Cambodja en andere landen met soortgelijke sociale context. Ondanks de gemengde resultaten kan gesteld

worden dat commerciële activiteiten die dicht bij de kern van de missie van een NGO liggen het potentieel hebben om de huidige ontwikkelingspraktijk te verbeteren. Het is belangrijk om op te merken dat deze nieuwe aanpak een verandering teweeg kan brengen van de ontwikkelingshulp. Deze kan veranderen van een activiteit op basis van buitenlandse initiatieven met een opwaartse verantwoordingsstructuur (van NGOs naar donoren ) naar lokaal gerichte ontwikkelingsinitiatieven met een neerwaartse verantwoordingsstructuur, waarbij NGOs en hun ontwikkelingsgebieden hechter samenwerken. Verschillende non-profit organisatievormen, zoals sociale ondernemingen, coöperaties, landbouwverenigingen, zelfhulpgroepen – om er een paar te noemen die in dit onderzoek naar voren zijn gekomen – geven inzicht in de diversiteit in het Cambodjaanse maatschappelijke middenveld. Wat nog belangrijker is, de resultaten van dit onderzoek geven aan dat Cambodja het juk van het door het buitenland gedomineerde proces van ontwikkeling begint af te werpen.

## សេចក្តីសង្ខេប

មានការសិក្សាជាច្រើន ត្រូវបានធ្វើឡើង ទាក់ទងនឹងអង្គការសង្គមស៊ីវិល ជាពិសេស អង្គការក្រៅរដ្ឋាភិបាល នៅប្រទេសកម្ពុជា។ ទោះជាយ៉ាងណាក៏ដោយ មានការសិក្សាតិចតួចណាស់ ដែលផ្ដោតលើយុទ្ធសាស្ត្រ ពិពិធកម្ម និងប្រមូលមូលនិធិ ជាពិសេសគឺ ការផ្សព្វផ្សាយបណ្តាក់ទុនផ្នែកពាណិជ្ជកម្ម នៃអង្គការមិនរកកម្រៃ ទាំងនោះ។ នេះជាកង្វះខាតផ្នែកចំណេះដឹងដ៏សំខាន់មួយនៅក្នុងវិស័យនេះ ដោយសារអង្គការក្រៅរដ្ឋាភិបាល ត្រូវប្រឈមមុខនឹងការថយចុះនូវការផ្តល់មូលនិធិពីម្ចាស់ជំនួយ និងកំពុងតស៊ូដើម្បីធានានិរន្តរភាព ប្រតិបត្តិការ របស់ពួកគេ និងទទួលបាននូវស្វ័យភាពក្នុងការគ្រប់គ្រងអង្គការ។ ការស្រាវជ្រាវនេះ មានគោលបំណងរួមចំណែកក្នុងគំណាត់ផ្នែកចំណេះដឹងនេះ តាមរយៈការព្យាយាមស្វែងយល់ពីបញ្ហាប្រឈម និងយុទ្ធសាស្ត្រពិពិធកម្មផ្សេងៗ ដោយផ្ដោតសំខាន់លើសកម្មភាពសហគ្រិន ដែលទទួលបានអនុវត្តដោយអង្គការក្រៅរដ្ឋាភិបាល នៅកម្ពុជា ដើម្បីអាចបន្តដំណើរការជាភ្នាក់ងារអភិវឌ្ឍន៍ និងជាផ្នែកមួយនៃសង្គម ស៊ីវិលដែលកំពុងរីក លូតលាស់មួយ។ សំណួរស្រាវជ្រាវជាចម្បង គឺ "តើពាណិជ្ជភារូបនីយកម្ម និងសហគ្រិនភាព ដើរតួនាទីដូចម្តេចក្នុងការធ្វើពិពិធកម្មមូលនិធិ និងផ្តល់នូវជម្រើសវិធីសាស្ត្រមួយ នៃការអភិវឌ្ឍសម្រាប់ អង្គការក្រៅ- រដ្ឋាភិបាលនៅកម្ពុជា?"

ការស្រាវជ្រាវនេះទទួលបានទិន្នន័យជាចម្បងពី ការស្ទង់មតិ និងសម្ភាសន៍អ្នកផ្តល់ព័ត៌មានគន្លឹះ គឺតំណាង ជាន់ខ្ពស់នៃអង្គការក្រៅរដ្ឋាភិបាលនានានៅកម្ពុជា។ ការប្រមូលទិន្នន័យធ្វើឡើងក្នុងចន្លោះខែមីនា ឆ្នាំ2011 និង ខែឧសភា ឆ្នាំ2012 នៅក្នុង ៥ តំបន់សំខាន់ៗនៃប្រទេសកម្ពុជា គឺ រាជធានីភ្នំពេញ ខេត្តកណ្តាល កំពង់ចាម បាត់ដំបង និងសៀមរាប។ បច្ចេកទេសជ្រើសរើសសំណាកដោយចៃដន្យសម្រាប់ការស្ទង់មតិ បញ្ជាក់ថា លទ្ធផលស្រាវជ្រាវនេះ តំណាងឲ្យអង្គការក្រៅរដ្ឋាភិបាល នៅក្នុងតំបន់សិក្សាទាំងប្រាំខាងលើ ដែលជាកន្លែងអង្គការក្រៅរដ្ឋាភិបាលធ្វើប្រតិបត្តិការសកម្មបំផុត។

ការស្រាវជ្រាវនេះរកឃើញនូវវិធីសាស្ត្រទីផ្សារមួយដែលកំពុងផុសឡើង ក្នុងចំណោមអង្គការក្រៅរដ្ឋាភិបាល គឺ សហគ្រិនភាពសង្គម ដែលជាយុទ្ធសាស្ត្រស្វែងរកហិរញ្ញប្បទានសំខាន់មួយជំនួសឲ្យមូលនិធិផ្តល់ដោយ ម្ចាស់ជំនួយពីបរទេស ដែលកំពុងមានការធ្លាក់ចុះ ។ និន្នាការឆ្ពោះទៅរក ពាណិជ្ជភារូបនីយកម្មសេវាកម្ម ប្រើធនធានមនុស្ស រំពឹងថានឹងកើនឡើងថែមទៀត យ៉ាងហោចណាស់ក្នុងរយៈពេលមធ្យម។ វិធីសាស្ត្រថ្មីនេះ មានភាពចាំបាច់ខ្លាំងនៅក្នុងតំបន់ដែលរដ្ឋាភិបាល និងស្ថាប័នទីផ្សារ ក៏ដូចជា វិធីសាស្ត្រ បែបប្រពៃណីដែលប្រើប្រាស់ដោយស្ថាប័នផ្នែកអភិវឌ្ឍន៍នានា ជួបប្រទះភាពបរាជ័យ។ ក្រៅពីការព្យាយាម រក្សានិរន្តរភាព អង្គការក្រៅរដ្ឋាភិបាល ជ្រើសប្រើប្រាស់យុទ្ធសាស្ត្រនេះ ដើម្បីបង្កើតការងារ ប្រាក់ចំណូល និងគម្រោង បណ្តុះបណ្តាលថ្មីៗសម្រាប់បុគ្គលអ្នកចាញ់ប្រៀបគេក្នុងសង្គម ព្រមទាំងដើម្បីដោះស្រាយ

បញ្ហាសង្គមទូទៅ ដូចជា វិសមភាព និងភាពក្រីក្ររ៉ាំរ៉ៃ។ ដំណើរការពាណិជ្ជកម្មវិន័យកម្ម នៅក្នុងវិស័យ មិនរកកម្រៃ នៅកម្ពុជា បានបង្កើតជាផលវិបាកផ្សេងៗ មានដូចជា ការច្នៃប្រឌិតថ្មី ,ភាពប្រសើរឡើង នៃតម្លាភាព និងគណនេយ្យភាព នៅក្នុងប្រតិបត្តិការរបស់អង្គការក្រៅរដ្ឋាភិបាល និង ការលើកកម្ពស់ អារម្មណ៍ភាពជាម្ចាស់លើគម្រោងអភិវឌ្ឍន៍នានា។ លើសពីនេះទៀត អង្គការក្រៅរដ្ឋាភិបាល ទំនងមាន ការឆ្លើយតប និងគណនេយ្យភាពប្រសើរជាងមុន ចំពោះសហគមន៍ដែលពួកគេកំពុងប្រតិបត្តិការ។

ទោះយ៉ាងណាក្តី ការផ្សេងបណ្តាក់ទុនផ្នែកពាណិជ្ជកម្ម ដោយអង្គការក្រៅរដ្ឋាភិបាល មានគុណវិបត្តិច្រើន។ អង្គការក្រៅរដ្ឋាភិបាល ត្រូវប្រឈមមុខនឹងបញ្ហាងាយទទួលបានបរាជ័យ ដោយសារខ្លួនខ្វះបទពិសោធន៍ និង ជំនាញផ្នែកជំនួញ។ លើសពីនេះទៅទៀត ពួកគេ ត្រូវប្រថុយនឹងការឃ្លាតចេញពីបេសកកម្មដែលខ្លួនត្រូវ បំពេញ ដូចជា តាមរយៈការផ្គត់ផ្គង់ទទួលបានផលដែលមិនមានបង់ប្រាក់កម្រៃ។ ថ្នាក់ដឹកនាំអង្គការ ក្រៅរដ្ឋាភិបាលនិងសហគ្រិនសង្គម ក៏ត្រូវប្រឈមមុខនឹងបញ្ហាក្នុងការសម្រេចចិត្ត ដើម្បីបង្កើតតុល្យភាពរវាង ការផ្តោតទៅលើសង្គម និងការគិតគូរផ្នែកហិរញ្ញវត្ថុ។ ដោយហេតុថាអង្គការក្រៅរដ្ឋាភិបាល ទទួលបាន ឧបត្ថម្ភធនលើផ្នែកពន្ធពីរដ្ឋាភិបាល និងជំនួយផ្នែករៀបចំស្ថាប័ននោះ ពួកគេក៏ត្រូវប្រឈមមុខផងដែរនឹង បញ្ហាការប្រកួតប្រជែងមិនស្មើភាពជាមួយនឹងវិស័យឯកជន បញ្ហាក្រុមសីលធម៌ និង ហានិភ័យក្នុងការ បាត់បង់កេរ្តិ៍ឈ្មោះខ្លួនដែលជាសមាសធាតុមួយនៃសង្គមស៊ីវិល។ មិនថាពាណិជ្ជកម្មវិន័យកម្មកម្ពុជា ឬ យុទ្ធសាស្ត្របង្កើតមូលនិធិដទៃទៀត នៃអង្គការក្រៅរដ្ឋាភិបាល សុទ្ធតែមានគុណវិបត្តិរបស់វា ហេតុនេះ បញ្ហា សំខាន់បំផុត គឺ ថ្នាក់ដឹកនាំអង្គការក្រៅរដ្ឋាភិបាល ត្រូវអាចរកវិធីគ្រប់គ្រងហានិភ័យដែលពាក់ព័ន្ធ និងផល ប៉ះពាល់អវិជ្ជមាននានាឲ្យបានល្អ។ ក្នុងពេលជាមួយគ្នានេះ អង្គការក្រៅរដ្ឋាភិបាល ត្រូវរក្សាឲ្យបាននូវប្រភព មូលនិធិចម្រុះ ដើម្បីជៀសវាង ការពឹងផ្អែកលើប្រភពចំណូលណាមួយ។

សរុបមក អំណះអំណាងសំខាន់ៗនៃនិក្ខេបបទនេះ គឺ៖

- **អំណះអំណាងទី១៖** ដោយសារការថយចុះមូលនិធិពីបរទេស អង្គការមិនមែនរដ្ឋាភិបាលធ្វើពិពិធកម្ម ប្រភពមូលនិធិរបស់ពួកគេ ជាពិសេស ក្នុងការបណ្តាក់ទុនផ្នែកពាណិជ្ជកម្ម និងការបង្កើតសហគ្រិន ភាពសង្គម ដើម្បីទទួលបាននិរន្តរភាពហិរញ្ញវត្ថុ និងស្វ័យភាព អង្គការ។
- **អំណះអំណាងទី២៖** តាមរយៈប្រាក់ចំណូល បង្កើតឡើងដោយខ្លួនឯង និង សហគ្រិនភាពសង្គម អង្គការ មិនមែនរដ្ឋាភិបាល អាចទាក់ទាញមូលនិធិពីម្ចាស់ជំនួយ និងការគាំទ្រកាន់ តែច្រើនឡើង ជាជាងការពឹងផ្អែកលើការបរិច្ចាគ និងជំនួយឥតសំណង។



- **អំណះអំណាងទី៣៖** ក្រៅពីការធានានិរន្តរភាពហិរញ្ញវត្ថុ យុទ្ធសាស្ត្រសហគ្រិនសង្គម ដែលទទួលប្រើប្រាស់ដោយអង្គការមិនមែនរដ្ឋាភិបាល ក៏បានធ្វើឲ្យប្រសើរឡើងនូវ គណនេយ្យភាព និងតម្លាភាពនៃអង្គការមិនមែនរដ្ឋាភិបាល ចំពោះអ្នកទទួលផលរបស់ពួកគេផងដែរ។
- **អំណះអំណាងទី៤៖** អង្គការមិនមែនរដ្ឋាភិបាល ដែលទទួលអនុវត្តសហគ្រិនសង្គម មាន សក្តានុពលក្នុងការជៀសផុតពីផលវិបាកអវិជ្ជមាននៃការពឹងផ្អែកលើជំនួយពីខាងក្រៅ ដោយរួមបញ្ចូលទាំងកង្វះភាពជាម្ចាស់ការក្នុងស្រុក និងការឆ្លើយតបទៅនឹងតម្រូវការក្នុងស្រុក។
- **អំណះអំណាងទី៥៖** ការលេចឡើង និងចរិតលក្ខណៈនៃអង្គការសហគ្រិនសង្គមនៅកម្ពុជា ជាលទ្ធផល នៃរដ្ឋាភិបាលដែលនៅមានលក្ខណៈទន់ខ្សោយ ស្ថាប័នសង្គមនិងសេដ្ឋកិច្ច និងបរិបទប្រទេស។
- **អំណះអំណាងទី៦៖** វិធីសាស្ត្រទីផ្សារ នាំឲ្យមានផលវិបាកអវិជ្ជមានមួយចំនួន ដូចជា ហានិភ័យនៃការផាត់ចេញប្រជាជនក្រីក្របំផុត ពីការទទួលបាននូវសេវាដែលទាមទារឲ្យ បង់ប្រាក់ និងការបាត់បង់ចរិតលក្ខណៈប្រពៃណីរបស់អង្គការមិនមែនរដ្ឋាភិបាល ដែលជា សមាសភាពមួយនៃវិស័យសង្គមស៊ីវិល។

និក្ខេបបទនេះ រួមចំណែកដល់ការពិភាក្សាវែកញែកពីទ្រឹស្តីទាក់ទងនឹងពាណិជ្ជភារូបនីយកម្មនិងជាសហគ្រិនភាពសង្គម ក្នុងចំណោម អង្គការមិនរកកម្រៃ។ ការស្រាវជ្រាវនេះ តទល់វែកញែកពីទស្សនៈ ប្រពៃណីនិយមដែលថា ការផ្សេងបណ្តាក់ទុនផ្នែកពាណិជ្ជកម្ម នាំមកនូវបញ្ហាជាជាង ការជំរុញ ចីរភាព និងការផ្តល់មូលនិធិសម្រាប់អង្គការក្រៅរដ្ឋាភិបាល។ អំណះអំណាងដែលបានលើកឡើង មានភាពជំពាក់ទាក់ទងធំទូលាយ គឺមិនមែនសម្រាប់តែប្រទេសកម្ពុជាមួយឡើយ។ លទ្ធផលសិក្សានេះ នឹងរួមចំណែកដល់ការពិភាក្សា វែកញែកនៃការសិក្សាស្រាវជ្រាវក្រោយៗទៀត ជាពិសេស នៅពេលដែល ការសិក្សាជាក់ស្តែងអំពីប្រទេស កំពុងអភិវឌ្ឍ និងស្ថិតក្នុងដំណាក់កាលផ្លាស់ប្តូរ នៅមានតិចតួចនៅឡើយ។

ចុងក្រោយបង្អស់ ការស្រាវជ្រាវនេះ មានភាពជំពាក់ទាក់ទងសំខាន់សម្រាប់ការអភិវឌ្ឍន៍ប្រទេសកម្ពុជា និងបណ្តាប្រទេសផ្សេងទៀតដែលមានបរិបទស្រដៀងគ្នា។ ទោះបីផលវិបាកមានលក្ខណៈចម្រុះក៏ដោយ ក៏សកម្មភាពសហគ្រិនដែលស្រដៀងគ្នានឹងបេសកកម្មស្នូលនៃអង្គការក្រៅរដ្ឋាភិបាល មានសក្តានុពល ក្នុងការកែលម្អទម្លាប់នៃដំណើរការអភិវឌ្ឍន៍នាពេលបច្ចុប្បន្ន។ សំខាន់ជាងនេះទៀត វិធីសាស្ត្រថ្មីនេះ អាចផ្លាស់ប្តូរគំរូអភិវឌ្ឍន៍ចេញពីគំនិតផ្តួចផ្តើមដែលទ្រទ្រង់ដោយជំនួយពីបរទេស និងគណនេយ្យភាពឆ្ពោះទៅលើ (អង្គការក្រៅរដ្ឋាភិបាលទៅម្ចាស់ជំនួយ) ទៅកាន់ការអភិវឌ្ឍផ្ដោតលើមូលដ្ឋាន និងគណនេយ្យភាព ឆ្ពោះទៅ ក្រោម

ដោយធ្វើឲ្យអង្គការក្រៅរដ្ឋាភិបាល មានភាពជិតស្និទ្ធនឹងតំបន់ដែលពួកគេប្រតិបត្តិការ។ ទម្រង់ផ្សេងៗ នៃ  
អង្គការមិនរកកម្រៃ ដូចជា សហគ្រាសសង្គម សហករណ៍ សមាគមកសិករ ក្រុមជួយខ្លួនឯង (ទម្រង់  
អង្គការមួយចំនួនដែលចាប់កើតឡើងក្នុងអំឡុងពេលដំណើរការសិក្សានេះ) អាចបង្ហាញពីលក្ខណៈកូនកាត់  
នៃវិស័យសង្គមស៊ីវិលកម្ពុជា។                      សំខាន់ជាងនេះទៀត                      ដំណើរការសិក្សានេះបង្ហាញថា  
ប្រទេសកម្ពុជាកំពុងចាប់ផ្តើមចាកចេញពីដំណើរការអភិវឌ្ឍន៍គ្របដណ្តប់ដោយបរទេស។

## **THE DAWN OF SOCIAL ENTERPRISE?**

NGOS BALANCING BETWEEN SOCIAL VALUE CREATION AND PROFIT-MAKING IN CAMBODIA